INTERNATIONAL TRADE 1966: GATT ANNUAL REPORT PUBLISHED

International Trade 1966 has six parts:

I. Recent Trends in International Trade. This first part contains an analysis of the main features of international trade during 1966, and a survey of its evolution in the first half of 1967.

II. Special Studies. This part contains a study of trends in sources of European imports since the creation of the European Economic Community and the European Free Trade Association; a survey of the longer-term trends in export proceeds of developing countries; and an analysis of motor vehicles output and imports in non-industrial countries.

III. Trade in Primary Commodities and in Manufactures.

IV. Trade of Industrial Areas.

V. Trade of Non-Industrial Areas.

VI. Trade of the Council of Mutual Economic Aid Countries.

I. RECENT TRENDS IN INTERNATIONAL TRADE

1. Main Features of International Trade During 1966

Despite some slowing down in the growth rate of world production, there was an acceleration in world trade expansion in 1966. World exports increased by 9 per cent as against nearly 8.5 per cent in 1965, and for the first time exceeded $200 billion. This was the fourth consecutive year in which world exports developed at a rate of the order of 9 per cent.

These past four years of vigorous export growth should be viewed in a somewhat broader context. There has in fact, been a substantial and uninterrupted expansion of international trade since the 1958 recession. This period can be considered exceptional as, since the middle of the nineteenth century at least, there had previously been no eight-year period in which the expansion of international trade had been uninterrupted and of such magnitude. From 1958 to 1966, world exports almost doubled, rising from $106 billion to $201 billion, representing an annual growth rate of 8.3 per cent.

Without seeking to determine the fundamental causes of this expansion in international trade, it might be pointed out that it was very closely linked to economic growth; this also was very rapid during this period in the majority of the developed countries, the aggregate trade of which accounts for more than 80 per cent of world trade. Also to be mentioned is the fact that, in recent years, fluctuations in the level of economic activity as between the United States, Japan and the West European countries differed considerably both in extent and timing. A large contribution to the harmonization of world trade expansion has thus been made by this recent lack of synchronization as between the level of economic activity in the United States and that in other developed countries, in the sense that peaks and troughs of economic activity have not coincided in the various industrial countries or areas. In the case of the European countries, this was concomitant with the implementation of regional arrangements.

As in the preceding years, the growth in exports of manufactures was approximately twice as fast as that in exports of primary products. Overall prices of manufactured goods rose by 2 per cent, an increase of the same order as in the preceding year. A rise of approximately 9.5 per cent in the volume of exports of manufactures was therefore accompanied by an increase of less than 12 per cent in their value; these figures are close to those recorded in 1965. It might be noted however that, as compared with 1965, there was an acceleration in trade in machinery and capital goods, particularly between developed countries, and a marked deceleration in the expansion of sales of base metals.

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The evolution of trade in primary products in 1966 was somewhat different from the one observed in 1965. In terms of volume the growth rate remained unchanged (around 5 per cent), while in terms of value, owing to higher prices, there was an increase of almost 6 per cent, as against 4 per cent in the preceding year. The slight overall rise in export prices conceals divergent movements as between different products. Exports of raw materials moved ahead, due in particular to a marked increase in purchases by Japan, as did exports of foodstuffs on account of a certain increase in prices, while fuel exports developed more slowly.

**Industrial areas**

Despite an appreciable slow-down in the second half of the year, economic growth of the industrial areas in 1966 was of the same order as in 1965 - 5 per cent. The levelling-off in economic activity affected imports during the latter months of the year but, for 1966 as a whole, the expansion was even higher than it had been in 1965. Imports increased by 11.5 per cent in 1966, as compared with 9.4 per cent in 1965; in other words at a faster rate than exports (10.5 per cent). The fact that imports of the industrial countries advanced more rapidly in 1966 than in 1965 can largely be explained by a very marked increase in the United States' propensity to import during the recent period of intense economic activity.

The import expansion of the industrial countries affected all the principal commodities, but particularly machinery and transport equipment, purchases of which rose by nearly 20 per cent (13 per cent in 1965); this acceleration was mainly due to a very pronounced increase in trade in automotive products between the United States and Canada. Although the growth in imports of primary products of the industrial countries continued to be moderate, it accelerated somewhat in 1966, due to larger imports of foodstuffs by the United States and of raw materials by Japan, which offset a slowing-down in purchases of the Western European countries.

Whereas in 1966 exports of manufactures by the industrial countries continued to grow at the same rate as in 1965, there was a markedly faster advance in their sales of primary products (6.6 per cent as compared with 4.4 per cent in 1965) which thus reverted to the rate attained in earlier years. The sharp expansion in sales of foodstuffs to which this acceleration is attributable was the result of a substantial rise in North American exports, which offset a slowing-down in West European sales.

Trade between industrial areas continued in 1966 to develop more rapidly than their exports to third countries (12 per cent and 8 per cent, respectively). It nearly reached $95 billion, an amount equivalent to total exports of the industrial countries in 1963, and exceeding the value of aggregate world trade in 1956. Exports to other areas were characterized by a decline in sales to Australia, New Zealand and South Africa; a very vigorous expansion in sales to the Eastern trading area and a more moderate advance in sales to developing countries.
Developing areas

Due to a very small advance in agricultural output, there was a marked slowing-down in the economic growth of developing countries in 1965 and 1966. In those two years, gross product (at constant prices) expanded at an annual rate of only about 3.5 per cent which, having regard to population growth, represents an annual increase of only 1 per cent in per capita income. This was the first time since the early 1950s that there had been such a low growth rate for two consecutive years.

Despite this relatively low economic growth, the year 1966 was fairly favourable from the point of view of foreign trade. Exports increased by 7 per cent. The past four years (1963 to 1966) have seen the fastest expansion in the value of exports by developing countries since the end of the Second World War for a period of this duration.

Despite the progress achieved in 1966, the developing countries' exports again advanced less rapidly than those of industrial countries. This broadly reflects the differences in the commodity composition of exports: a predominance of primary products with a low expansion rate in the case of the developing countries, and a preponderance of manufactured goods with a high expansion rate in that of the developed countries. At the same time, trade between industrial countries, which accounts for nearly three-quarters of their overall exports, continued to develop more rapidly than their exports to third countries, while trade between developing countries, which accounts for less than one quarter of their total exports, tended to expand at the same rate as, or more slowly than, exports from these countries to industrial areas.

As a result of the slower expansion in exports of the developing countries, their relative share in world trade continued to fall in 1966, when they represented only 19 per cent of world exports, as compared with 27 per cent in 1953 and 22 per cent in 1960.

From the geographical aspect, export growth in 1966 was the result of larger purchases by North America, the EEC and Japan. Sales to EFTA remained unchanged for the second consecutive year. For the first time since the revival of trade with the Eastern trading area in 1957, exports to this area also virtually levelled off, with an increase of only 3 per cent, as compared with 23 per cent in 1965 and 15 per cent annually from 1957 to 1965.

Eastern trading area

In 1966, for the second consecutive year, there was an appreciable weakening in the expansion of the Eastern trading area's foreign trade. Exports increased by only 6 per cent, as compared with 7 per cent in 1965 and 9 per cent
from 1953 to 1964. On the import side, the slow-down was even more apparent: imports increased by only 4 per cent, as against 6 per cent in 1965 and almost 9.5 per cent, annually, from 1953 to 1964. This development was the result of the virtual stagnation, in terms of value, of intra-regional trade of the CMEA countries, which accounts for almost 55 per cent of the Eastern trading area's total exports and increased by only 1 per cent in 1966. Because of a generally downward adjustment of prices prevailing in intra-CMEA trade, the exact scope of which is not yet known, it is not possible to determine to what extent the slow-down in the growth of trade in value between the CMEA countries also reflects a corresponding movement in volume. On the other hand, trade with countries outside the Eastern trading area increased vigorously in 1966: exports to and imports from these countries advanced by 16 per cent and 11 per cent, respectively.

2. Trends in International Trade During the First Six Months of 1967

The first six months of 1967 witnessed a further slowing-down in the economic growth rate of the industrial areas of the world. The level of economic activity, while varying from one country to another, in almost all cases represented a continuation of the trend already apparent in 1966.

Notwithstanding the above trends in the economic situation, exports by industrial areas achieved a fairly strong advance, with an increase of more than 8 per cent compared with the first six months of 1966, i.e. at a rate close to those recorded during the corresponding period in 1962, 1963 and 1965, when the economic growth of those areas had been more rapid. As compared with the expansion during the first six months of 1966, however, there was a distinct slowing-down that affected the various individual countries in an uneven way and which resulted in growth rates becoming more uniform. Thus, during the first half of 1967, exports by the EFTA countries increased by 7.5 per cent, as compared with 8 per cent between the first six months of 1965 and 1966; exports by the EEC countries and Japan increased by close to 9 per cent (as against 11 per cent and 13 per cent respectively); and those by North America and the other European countries as a whole by 10 per cent (as against 15 per cent in 1966).

The deceleration of economic expansion in the industrial areas had a more appreciable effect on their imports: for the first six months of 1967 these were only approximately 7 per cent above the level for the corresponding period in 1966, which in turn was 13 per cent above the comparable level in the preceding year (1965). According to the preliminary data available, it appears that the slowing-down in imports of industrial areas has mainly affected purchases from developing countries. It is estimated that during the first half of 1967, imports from those areas increased by only approximately 2 per cent, whereas in the same period of 1966 there had been an 8 per cent increase. There was likewise a substantial slowing-down in intra-regional trade as compared with the very high growth rates recorded during the first six months of 1966.
If an attempt is made to determine prospects for 1967 as a whole, taking as a basis the data already available for the first six months of 1967 and existing forecasts for the last six months, the inference may be drawn that the year as a whole will be one of slower economic expansion in the industrial areas. This deceleration of growth entails a reduction in the growth rates of world trade which, as has been seen, have been very high indeed in recent years. The exports of developing countries will probably be affected to a greater degree in view of the fact that, even in the event of a recovery in the second half of 1967, results for the year as a whole will still be greatly influenced by the small advance recorded during the first six months of the year.

II. SPECIAL STUDIES

1. Note on Trends in Sources of European Imports Since the Creation of the EEC and EFTA

It is a well-known fact that since the end of the Second World War the economies of most of the West European countries have developed rapidly as compared with their rate of growth in earlier periods. This economic expansion has been accompanied, and probably largely influenced, by a still more rapid growth in the foreign trade of these countries. The volume of total imports both of the European Economic Community countries as a whole and of the European Free Trade Association countries other than the United Kingdom, has increased about twice as fast as the gross national product. Between the years 1952-54 and 1965-66, the national product of the EEC rose by 90 per cent and imports more than trebled in volume. For the EFTA countries other than the United Kingdom, a 75 per cent increase in national product was accompanied by a tripling in the volume of imports.

It will be seen that the establishment of regional groupings in Western Europe in the late 1950s does not seem to have caused in the countries concerned any substantial modification in the relationship between the evolution of the national product and that of total import requirements of both manufactures and primary products. Of course the creation of these regional groupings may have had the effect of changing the pace of economic development in Western Europe as a whole, and may thereby have caused a change in the growth rate of total imports by the European countries. It is not the intention in the note to discuss this question or to speculate as to what might have been the rates of growth in Western Europe if no regional groupings had been established, or if those groupings had been different. The object is to try to examine more specifically to what extent the establishment of the regional groupings that actually exist has been accompanied by changes in the source of imports of the various European countries.

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Throughout the study there are three basic underlying elements. These are the elements to which changes in the share of an exporting area in the market of a regional grouping are attributable.

The first element, the "relative importance of markets", takes account of the fact that an area whose exports to a regional grouping go mainly to the markets of countries of the grouping whose imports have grown most rapidly, gains an advantage from this more rapid growth. The second element, "commodity composition", takes account of the fact that, for each importing country, import requirements develop in a different way for different groups of products; an area whose exports are mainly composed of products that have experienced a rapid import increase gains an advantage from this rapid increase. The third element, the "residual deviation" - in other words the positive or negative changes in the share of an exporting area in the market of a regional grouping due to the operation of factors other than the first two elements - embodies the effects of the establishment of the regional grouping and also of factors such as the other changes that can occur in the competitive position of an exporting area.

The principal points brought out in this note may be summarized briefly as follows:

(i) The exports of third countries to the countries of the EEC and EFTA have increased less rapidly between 1960 and 1965 than total imports of these regions. If the exports of third countries to both regions had been able to progress at the same rate as the total imports of these regions since 1960, they would have reached $42 billion in 1965 or about $5 billion more than the actual figure. For the products included in the calculations, residual deviations for third countries reached a level of about $730 million. Residual deviations cannot be large for non-European products and third countries have been able to increase rapidly their shipments of fuels. It thus appears that the lag in exports from third countries to European markets is only explicable to a relatively small extent by residual deviations. The fact that only a quarter of the deliveries of third countries consists of manufactured goods other than metals seems to be the main reason for the falling behind in the trade of these countries. In addition, both for primary and manufactured products the structure by product and by destination of exports of third countries seems to have been somewhat unfavourable. This applies more particularly to the countries in the Rest of the World, for which residual deviations were on the whole negligible. By contrast, residual deviations account for about half of the falling behind in exports from North America to European countries between 1960 and 1965.
(ii) Strongly negative residual deviations are shown for export of manufactured products from North America between 1960 and 1965, whereas Japan, and to some extent European countries not belonging to the EEC or EFTA, were able to increase their share in the markets of these two regions. For primary commodities on the other hand, North America was able to maintain its share in European markets, while the exports of the other third countries were accompanied by strongly negative residual deviations.

(iii) For Intra-European trade taken as a whole, residual deviations between 1960 and 1965 represent 1 per cent of the transactions carried out in 1965 in the case of manufactured products and about 5 per cent in the case of primary commodities. Nevertheless, especially for manufactured products, trade between the EEC and EFTA developed substantially less rapidly than trade between countries belonging to each of these two groups. In the absence of residual deviations the trade in manufactured products between the EEC and EFTA would, in 1965, have been 15 per cent higher than the figure actually achieved, and the internal trade of each group would have been reduced by about 10 per cent.

(iv) The changes in the shares of Western European markets mentioned in this note are not attributable solely to the creation of regional groups. This is clear enough in the case of agricultural products, which were only partly included in the arrangements in force during the period 1960-65. In the case of industrial products, the trend in the exports of the different countries has certainly been influenced by divergent movements of prices and, more generally, by the various factors which have an influence on the competitive capacity of the different countries.

2. Longer-Term Trends in Export Proceeds of Developing Countries

There was a marked acceleration in developing countries' total export earnings after 1959. Whereas between 1953-54 and 1959-60 (described hereafter as the "first period") they rose by 23 per cent, or $5 billion, the increase between 1959-60 and 1965-66 (described hereafter as the "second period") was 41 per cent, or $11 billion.

Both exports of primary commodities and of manufactures from the developing countries expanded at a quickened pace during the second period, but there was a sharp divergency in their growth rates. Already during the first period, the growth of exports of manufactured goods had been significantly higher than that of primary products. In the early sixties, this tendency became more pronounced:
exports of manufactures doubled, while those of primary products rose by only 35 per cent. In spite of this spectacular increase, however, manufactured goods still represent a relatively small part of developing countries' exports; in 1965-66 their value amounted to $5 billion as compared with $32 billion for primary products.

The acceleration in the growth rate of developing countries' export proceeds between 1959-60 and 1965-66 was due to three different sets of factors. First, the faster expansion in demand for raw materials, fuels and manufactures, which reflected the speeding up in the growth of economic activity in developed countries, resulted in a more rapid rise during the second period in the volume of developing countries' exports to their main market. In addition, exchanges of primary products as well as of manufactures among developing countries rose at a quickening pace in volume terms during the second period. Further, prices of foodstuffs, after a sharp fall during the first period, recovered during the second under the impact of a slowing-down in the growth of supplies of a number of commodities, especially in the developing countries themselves, and of a strengthening of demand, not only in the developed areas but also in developing countries and the Eastern trading area.

In spite of this speeding up, export earnings of developing countries between 1959-60 and 1965-66 continued to lose ground on world markets. On the one hand, demand for manufactures, especially in developed countries, Eastern Europe and the Soviet Union, expanded much more rapidly than demand for primary products. Although developing countries were able to increase substantially their exports of manufactures, their production and exports still consist essentially of primary products. In absolute terms, therefore, the developed countries, Eastern Europe and the Soviet Union benefited considerably more than the developing countries from the remarkably fast expansion in world demand for and trade in manufactures. Moreover, in the case of agricultural commodities, the developing countries saw their share in world exports decline not only as a result of the obstacles to trade in developed countries and of a less favourable structure of demand, but also because of the generally slow production growth in relation to their own requirements.

The examination of the commodity pattern of developing countries' exports and production has brought out some of the elements which may explain to some extent the faster growth of total exports as compared with GDP between 1959-60 and 1965-66. First, agricultural production saw its growth rate slow down during the second period, largely due to the particularly unfavourable weather conditions which affected crops in a number of developing countries in 1965-66. This goes far towards explaining why GDP experienced a slowing-down between
1959-60 and 1965-66, as compared with the period 1953-54 to 1959-60, agricultural commodities account for the most important part of production of goods in developing countries. Second, in the mining sector where the production growth during the second period was almost four times more rapid than in agriculture, the bulk of production is destined for exports; the fast expansion of petroleum, in particular, was an important factor raising the overall growth rate of developing countries' exports. Thirdly, within the manufacturing sector, exports increased much faster than production during the second period. Although these exports are still relatively small in absolute terms, representing only a minor proportion of output and of total export proceeds, their contribution to the overall export growth was far from negligible: between 1959-60 and 1965-66 the increase in the export value of manufactures (excluding non-ferrous metals) accounted for more than one-fifth of the increase in developing countries' total export earnings. A rapid rise in sales occurred especially in a few relatively smaller countries. In some of the larger countries, that account for the bulk of industrial output of developing countries, the major part of the increase in output was supplied to the domestic market.

3. Motor Vehicle Output and Imports in Non-Industrial Countries

From the mid-fifties, a number of non-industrial countries adopted policies aiming at the development of a national automotive industry. Programmes for the industry, frequently part of broader plans for industrialization, were generally introduced with a view to reducing import expenditure on motor vehicles - which at present accounts for one-tenth of total imports of manufactures into the non-industrial area - through the substitution of imports of assembled vehicles by imports of completely knocked down (c.k.d.) units, and by progressively replacing imported by locally produced components. Largely due to such programmes, the number of motor vehicles manufactured or simply assembled in non-industrial countries almost trebled between 1957 and 1965 to over 1.3 million vehicles.

In Australia, Argentina, Brazil and India, which together produced about 850,000 vehicles in 1965, the industry is equipped not only to assemble vehicles but also to produce almost the whole range of the components required. The "local content" of the vehicles produced in these countries is high. The industry has developed particularly rapidly in Brazil and Argentina where production increased sixfold between 1957 and 1965 while imports were reduced substantially; in these two countries, and in India, imports now consist
largely of parts. In countries other than those mentioned above, the industry is mainly one of assembly, but most simple parts, such as springs, radiators, upholstery, paints, bus and lorry bodies, and in some cases more complex components, are produced locally. South Africa and New Zealand, and among the developing countries, Mexico and Venezuela are the largest assemblers with outputs ranging from 173,000 to 57,000 units in 1965, but eight other developing countries (Algeria, Chile, Israel, Morocco, Philippines, United Arab Republic, Rhodesia, Thailand) also assembled more than 5,000 motor vehicles that year. In all these countries, the local content of finished vehicles is relatively low, and complete vehicles, whether assembled or not, rather than parts, account for the bulk of imports. In most of these countries, however, the production of components is encouraged and the local content of vehicles produced is increasing progressively.

The note provides some information on the development of the industry in the main non-industrial countries as well as on the regulations governing its activities.

III. TRADE IN PRIMARY COMMODITIES AND IN MANUFACTURES

Similarly to earlier years the growth in manufactures of almost 12 per cent - an exceptionally rapid rate for the third consecutive year - exceeded significantly that of primary products, which reached 6 per cent as compared with 4 per cent in 1965. As a result, the share of primary commodities in world trade, which until ten years ago exceeded one half, fell for the first time below 40 per cent in 1966.

The sharply contrasting movements in demand between manufactures and primary products had far-reaching implications for the development of trade in these two commodity groups, continuing a long-established trend. Not only did the volume of world trade expand less rapidly for primary commodities than for manufactures in 1966, by 5 and nearly 10 per cent respectively, but the movement of prices was also somewhat less favourable for primary products. After an increase of 2 per cent in the first quarter of 1966, prices of primary products declined slightly during the rest of the year and the first quarter of 1967. Nevertheless, their average level for 1966 exceeded by 1 per cent that of 1965. Prices of manufactures continued their upward trend, uninterrupted since 1959, rising by 2 per cent in 1966.
The faster growth in value terms of world exports of primary products in 1966 as compared with 1965 resulted from an acceleration in raw materials as well as foodstuffs. For raw materials, after an increase of 2.5 per cent in 1965, the value of world exports expanded by about 6 per cent in 1966. This was entirely due to a speeding up in volume, from 1.5 per cent in 1965 to 5 per cent in 1966. Although the rate of general economic growth in industrial countries combined was about the same in 1966 as in 1965, the pronounced acceleration in growth which took place in Japan, a country heavily dependent on imports of raw materials, contributed largely to the faster increase in demand.

The growth in the volume of world exports of manufactures in 1966 was as rapid as in 1965 and the pattern of the increase in prices was also similar in both years. About half of the increase in the overall price level can be attributed to the 15 per cent rise in prices of non-ferrous metals. Whereas in 1965 most non-ferrous metals, with the exception of aluminium, registered pronounced price increases, in 1966 only the price level of copper experienced a further sharp rise; aluminium prices again remained stable, while those of tin, zinc and lead were lower than in 1965. Prices of manufactures other than non-ferrous metals rose in 1966, as in 1965, by 1 per cent.

The report contains an analysis of the trend in foodstuffs, agricultural raw materials, metalliferous ores and non-ferrous metals, fuels, textiles and clothing, and road motor vehicles.

IV. TRADE OF INDUSTRIAL AREAS

Economic growth of the industrial areas in 1966 was rather similar to that in the preceding year. Aggregate gross national product expanded by about 5 per cent, a rate identical to that registered in 1965 and corresponding to the longer-term 1960-1966 average increase. However, economic growth slackened considerably in the second half of 1966 to an annual rate of only 3 per cent.

Imports of the industrial areas in 1966 followed a development in line with the trend in economic activity. Combined imports of all industrial countries advanced by 11 per cent in 1966, a rate considerably higher than the one recorded in 1965 (9.5 per cent) but the same as the 1962-1966 average
increase. However, reflecting the weakening trend in economic expansion, import growth, at seasonally adjusted annual rates, slackened from 11 per cent in the first half of 1966 to about 8 per cent in the second half.

Total exports of the industrial countries expanded by 10.5 per cent in 1966, only fractionally faster than in 1965. As in the case of imports, export growth weakened in the course of the year; at seasonally adjusted annual rates it was about 10.5 per cent in the first half of 1966, but only 8.5 per cent in the second half. Half of the increase in the industrial countries' combined exports was supplied by the United States, Canada and the Federal Republic of Germany. These were, in fact, the only major industrial countries which achieved higher export growth than in 1965. Export growth of all other industrial countries (except Greece, Ireland and Spain) weakened in 1966, their combined sales rising by only 9 per cent, against nearly 13 per cent in 1965.

Trade between the industrial countries rose by about 12 per cent in 1966, against 11 per cent the year before. However, in the course of 1966, the growth in trade between the industrial countries decelerated sharply from a seasonally adjusted annual rate of 12.5 per cent in the first half of the year to less than half this rate in the following six months. To some extent the weakening in the expansion of trade between the industrial countries was offset by an accelerated growth in exports to other parts of the world; these rose by a seasonally adjusted annual rate of only 4 per cent in the first half of 1966, but by 17 per cent in the second half of the year. For the year as a whole, total exports of the industrial countries to other parts of the world rose by 8 per cent, as in 1965.

The industrial countries' imports from other parts of the world also accelerated in 1966; they rose by nearly 9 per cent against 5.5 per cent in 1965, with a somewhat faster growth in the second half of 1966 than in the first half. A review of the industrial countries' imports by major groups of commodities shows a strengthening in the growth of their imports of primary products in 1966.

As regards manufactures, the outstanding development in 1966 was a rise of nearly one-fifth, or $4.8 billion, in the industrial countries' aggregate imports of machinery and transport equipment.
North America

The North American economy showed a further vigorous expansion in 1966. Aggregate gross national product increased by about 5.5 per cent in volume, against 6 per cent in 1965. Total North American exports expanded by 12 per cent to $38.2 billion in 1966, three times as fast as in the preceding year. The growth in intra-North American trade accelerated sharply, the increase accounting for half of the increment in the United States and Canada’s combined exports, but shipments to third countries also showed a substantial rise of nearly 9 per cent. Total North American imports from third countries rose by 15.5 per cent in 1966, to $21.5 billion, against an increase of 14 per cent in the preceding year. Additional import demand was mainly concentrated on manufactures, notably capital goods, and purchases from the industrial areas expanded by 21 per cent in 1966. The growth in imports from the developing areas, in particular from Central and South America and Africa, also accelerated in 1966.

The European Economic Community

Economic growth of the Community as a whole in 1966 was nearly identical to that in the preceding year. Aggregate gross national product again expanded by 4 per cent in real terms. Total imports of the EEC rose by 9.5 per cent in 1966 to $53.6 billion. A rather exceptional feature of imports in 1966 was the diverging development as between internal trade and purchases from third countries: while the growth of the former slackened, the latter rose somewhat faster than in 1965.

Aggregate exports of the six member countries increased by 10 per cent (against 12.6 per cent in 1965) to $52.6 billion. The Community’s imports of primary products continued to follow a trend of declining growth, rising by 6 per cent to $24 billion in 1966. Imports of nearly all manufactured products expanded at rates similar to or higher than those recorded in 1965. The weakening in the growth of combined EEC exports in 1966 was mainly concentrated on foodstuffs and base metals. Exports of all other commodities increased at rates roughly identical to those registered in 1965.

Commodity trade growth between the EEC and EFTA slackened further in 1966. Exports of the Community to EFTA rose by slightly more than 4 per cent, half the rate recorded in 1965. Imports from EFTA increased by 5 per cent in 1966, a rate only fractionally higher than the one registered a year earlier. Exports to North America expanded by 18.5 per cent in 1966. Imports from North America advanced by about 6 per cent both in 1965 and 1966. As in 1965, EEC imports from the developing areas expanded by 7 per cent. Aggregate exports to the developing areas advanced by only 6 per cent in 1966, against 10 per cent the year before.
The European Free Trade Association

Economic growth in the EFTA area, already relatively weak in 1965, slowed down further during the following year. Total EFTA imports rose, for the second consecutive year, by only 5 per cent to reach $33.5 billion in 1966. Aggregate exports advanced by 7 per cent to $27.9 billion, a rate somewhat lower than the sustained increase of 5.5-6 per cent registered during the preceding three years. This slow-down in export growth affected internal trade as well as sales to third countries.

Import demand of most member countries for foodstuffs, raw materials and fuels remained weak in 1966.

As in 1965, EFTA's increase in aggregate imports was largely on account of manufactured products. The growth in EFTA exports of foodstuffs, raw materials and fuels continued to slow down in 1966. Aggregate exports of manufactures, which had registered a constant 9 per cent rise during the two preceding years, also followed a trend of weakening growth in 1966.

The United Kingdom was the only EFTA country to increase its exports to the EEC at a higher rate in 1966 than in the preceding year, exports of all other EFTA countries rose at markedly lower rates. With North American import demand remaining as strong as in the preceding year, EFTA exports to this area accelerated, rising by 20 per cent in 1966. For the second consecutive year, EFTA imports from North America showed a weak 3 per cent rise in 1966. Aggregate EFTA exports to the developing countries in 1966 were only 2 per cent higher than the preceding year, when they had increased by 7 per cent. EFTA imports from the developing countries stagnated for the second consecutive year in 1966.

Other west European countries

In 1966, economic growth continued to be stable in Greece and Spain, and accelerated considerably in Turkey and Yugoslavia, but slackened in Finland, Iceland and Ireland. Aggregate purchases of the seven countries advanced by nearly 14 per cent, or by $1.2 billion. Combined exports rose by 13 per cent in 1966, considerably faster than the year before. This acceleration in the growth of exports was mainly attributed to manufactures, a development reflecting the intense efforts of nearly all countries to diversify their export structures.

Japan

In Japan economic recovery continued throughout the year 1966. Growth of industrial output was 11.6 per cent. Production of consumer durables, particularly hard hit during the 1965 recession, recovered most vigorously in 1966. New private orders for capital goods increased by 16 per cent, and Government orders by 12 per cent. In 1966, the recovery of imports amounted to an increase of 15.6 per cent. Exports advanced by 15.7 per cent, a rate certainly below that
of 1965 but sufficient to show again a favourable balance of trade, even though reduced from $283 million to $255 million. There was a surplus of $1,252 million on current account, as compared with $931 million in 1965 and a deficit in previous years.

V. TRADE OF NON-INDUSTRIAL AREAS

A. The Developing Countries

While the population growth rate of developing countries remained high in 1965 and 1966, the rate of economic expansion slowed down appreciably. This was the first time since 1948 that gross national product had risen by less than 4 per cent. In spite of the slow-down in the economic expansion, exports of developing countries grew rapidly during 1966, by 7 per cent in terms of value, which since the boom of 1951 had been surpassed only in 1963 and in 1964 when a growth rate of more than 9 per cent was recorded. Over the past four years (1963 to 1966), export values have risen faster than in any comparable period since the end of the second world war.

As in earlier years, the export expansion was not evenly spread over the various regions. In terms of value, the fastest expansion was in the Middle East countries where, due to petroleum sales, exports increased by almost 10 per cent in 1966. The slowest growth rate (less than 6 per cent) was that of the Latin America countries. The growth in exports of the South-East Asian and African countries was relatively close to the average rate for the developing countries as a whole: 7 per cent. In comparison with the long-term evolution, these export increases represent an improvement for each of these regions.

In 1965, export prices rose by approximately 1 per cent on average. However, prices developed differently for various products, so that the trend in export prices was not uniform from region to region. This slight rise in export prices was accompanied by a broadly increase in import prices, so that there was practically no change in terms of trade.

Latin America

Since 1962, export expansion in Latin America has been gaining considerable momentum. This trend continued in 1966. Total exports rose by 6 per cent, as compared with 5 per cent in 1965 and 9 per cent in 1964. This is the first time since the end of the war that in five consecutive years the annual growth rate of exports has been higher than, or near to, 5 per cent. This speeding up in the export growth rate broadly reflects the change in export prices which, after a
fairly marked decline from 1954-1962, began to recover. The relaxation in 1966 of exchange restrictions in a number of countries resulted in an 11 per cent increase in imports of Latin America as a whole; imports had risen by only 1 per cent in 1965.

With the exception of countries like Venezuela and Colombia, most of the major exporters shared in the wide export expansion recorded in 1966. Brazil, Chile, Peru, Costa Rica, Guatemala, Honduras and the Dominican Republic are among the countries whose exports increased more rapidly than the average rate. As in the past, export expansion was faster in 1966 for the Central American Common Market than for LAFTA (10.1 and 8.5 per cent respectively). But whereas for LAFTA the expansion was greater in 1966 than in the preceding year, the opposite occurred in the case of the Central American Common Market.

**South-East Asia**

In 1966 south-east Asia recorded an increase in exports for the fifth consecutive year. This is the first time since 1946 that this region has known such a prolonged period - uneven though it was - of continuous export expansion. The 1966 increase was approximately 7 per cent, as compared with 5 per cent in 1965, 4 per cent in 1964 and 11 per cent in 1963. Apart from Ceylon and Burma, where exports dropped by 44 per cent, and India, where they fell by approximately 5 per cent, all the countries with a sizable foreign trade registered substantial progress in exports. In the Republic of Korea and China (Taiwan), sales increased by as much as 43 per cent and 15 per cent respectively. Exports from Hong Kong, Pakistan, Singapore, Thailand and the Philippines rose by some 10 per cent or even more - at any rate by a distinctly higher figure than in 1965. Malaysia, on the other hand, fell substantially behind in comparison with the previous year when exports had increased by 12 per cent, in 1966 the increase was only 2 per cent.

Export prices, which in 1965 increased by approximately 4 per cent, remained relatively steady during 1966. Reductions in the prices of tea and rubber were offset by higher jute and rice prices.

**Africa**

Exports continued to advance rapidly during 1966. The increase in terms of value was nearly 8 per cent. As regards individual countries, this satisfactory export performance was the outcome of divergent trends. There was a decline in exports from Rhodesia, Ghana, Morocco, Ethiopia and Sierra Leone; a standstill in those of the United Arab Republic, and a very distinct slowing down in those from Nigeria. On the other hand, as a result of increased petroleum sales,
Libya continued in 1966 the vigorous export expansion that had begun in 1962. Zambia and the Democratic Republic of the Congo witnessed an approximately 30 per cent increase in their exports, due to the sharp rise in copper prices. Owing to a very great increase in the volume of coffee sales, the three countries of East Africa also increased their exports - by 10 per cent - whereas in 1965 there had been a drop of 5 per cent.

Middle East

Exports from the Middle East increased by approximately 10 per cent in 1966. Imports again rose less strongly than exports, so that the trade surplus continued to rise; for the first time it exceeded $2 billion, or 40 per cent of imports. In 1958 the surplus had reached $1,000 million; in 1948 it was practically nil.

B. Australia, New Zealand, South Africa

In 1966, developments in the foreign trade of this area were opposite to those recorded in 1965; there was a substantial increase in imports and a decline in exports in 1965, whereas in 1966 imports fell and exports rose sharply. In New Zealand and South Africa, the export expansion in 1966 was significantly greater than it had been over the longer term. Australia, where expansion over the longer term had been the most rapid, recorded the lowest expansion rate in 1966: 6 per cent as compared with 7 per cent for New Zealand and 11 per cent for South Africa. The decline in imports was particularly marked in South Africa; imports increased only in New Zealand.

VI. TRADE IN THE COUNCIL FOR MUTUAL ECONOMIC AID COUNTRIES

Over the past two years, the development of aggregate exports has been rather moderate. However, this slow-down is due to a decline in the rate of growth in intra-regional trade, since exports to other countries increased by 12 per cent in 1965 and 12 per cent in 1966.

The slow-down in the expansion of exports in terms of value during 1966 affected all CMEA countries except the USSR, whose sales rose by 5 per cent, as against 6 per cent in 1965. There was a similar slackening in the growth of imports, but in Poland these nevertheless advanced faster than exports for the second consecutive year thus increasing the deficit which had been slightly reduced in 1963 and eliminated in 1964. Imports of the other CMEA countries increased more rapidly in 1966 than in the preceding year.
The share representing intra-regional trade varies fairly widely from one country to another without, however, falling below half or rising substantially above three-quarters. Bulgaria holds the largest share in this regard; while the lowest are recorded for the USSR, Rumania and Poland. In 1966 there was even a decline in exports to other CMEA countries by Czechoslovakia, Poland and Rumania, and a fall in imports from other CMEA countries by the USSR, Hungary and Czechoslovakia. Here again it should be noted that, because of price adjustments, it cannot be inferred that the reductions in the value of trade reflect corresponding reductions in volume.

The general development of exports from the CMEA is similar to the general trend in world trade, with sales of primary products progressing much more slowly than those of manufactures. From 1955-57 to 1963-65, exports of primary products grew at an annual rate of 7 per cent, whereas the rate of expansion for manufactures was close to 12 per cent.