INTERNATIONAL TRADE IN 1967: ESTIMATES BY THE GATT SECRETARIAT

Reflecting the relatively lower level of general economic activity experienced in several important industrial areas, particularly in Western Europe, the expansion of world trade slowed down markedly in 1967. In the three years preceding 1967, world exports had been increasing at an exceptionally high annual rate of 9.7 per cent on the average; the annual average rate of growth recorded in the longer period from 1957/59 to 1966 had been 7.8 per cent. As against this long-term expansion, estimates just completed by the GATT secretariat indicate that in 1967 world exports increased by only 5 per cent, from $201 billion to roughly $211 billion.

These are preliminary estimates, based on twelve months' trade returns of most developed countries, less complete returns from a number of developing countries, and on additional indications concerning foreign trade of the Eastern Trading Area. They are thus subject to routine future corrections as annual statistics of individual countries are finalized, it is not expected, however, that the resulting general magnitudes will be changed significantly.

With both imports and exports advancing by slightly more than 5 per cent, the external trade of industrial areas grew only half as rapidly in 1967 as in 1966. The slow-down in exports affected all the major industrial areas in a relatively uniform manner, except that the growth of exports by the European Economic Community, at 7 per cent in 1967 as against 10 per cent in 1966, was somewhat better sustained than that of the European Free Trade Association countries which registered an increase of only 2 per cent, as against 7 per cent in 1966. Exports of the United States increased by 4 per cent, as against 10 per cent in 1966, and those of Japan by 7 per cent, as against 16 per cent in the previous year. On the import side, the differences were more pronounced. While the growth of imports by all industrial areas taken together declined from 11 per cent in 1966 to 5 per cent in 1967, imports by Japan increased by 22 per cent, as against 17 per cent the previous year. The rate of importation

1Including mutual trade of the member countries.
by the EFTA countries taken together remained unchanged at 5 per cent. There was, however, a sharp decline in the growth of imports by the EEC (3 per cent in 1967 as against 9 per cent the previous year) and in the United States (5 per cent as against 20 per cent the previous year).

The slowing down of world trade expansion had particularly severe effects on the developing countries. The trade estimates for the latter group of countries, based on the more fragmentary information, are subject to a somewhat wider margin of error than those for the developed ones. It appears, however, that the value of exports of the developing countries taken together increased by only about 1 per cent in 1967. This was the smallest gain recorded since 1958 when exports by developing countries had actually declined. Furthermore, the set-back in 1967 came after a period in which the growth of developing countries' exports had been accelerating: from 1962 to 1966, these exports had grown from $29.1 billion to $39.1 billion, or at an annual average rate of 7.5 per cent, as against the 3.5 per cent average annual advance in the period 1954-1962. As a result of the different export performance by developed and developing countries, the share of the latter's exports in the world total declined further in 1967 to 18.5 per cent (as against more than 19 per cent in 1966).

Imports by developing countries increased by approximately 3 per cent in 1967, causing the trade deficit of this group to rise from $1.9 billion in 1966 to approximately $2.7 billion in 1967. The developing countries' trade deficit thus returned to its high average level of the years 1958-62, after having narrowed to approximately $1 billion in 1963 and 1964.

It should be noticed, however, that the relatively moderate trade deficit recorded by developing countries in the years preceding 1967 was the result of a substantial export surplus of the petroleum producers among the developing countries partly offsetting a substantial trade deficit of the other developing countries combined. The GATT secretariat estimates that exports of the developing countries which are not petroleum producers declined by approximately 2 per cent in 1967 while their imports advanced by 2 per cent. In consequence, the trade deficit of this group of developing countries, which had already reached a record level of $7 billion in 1966, increased further and probably exceeded $8 billion in 1967.

The absolute decline of exports by developing countries which are not petroleum producers was mainly the result of a significant reduction in the value of their exports of industrial raw materials (metalliferous ores, textile fibres, rubber, hides and skins etc.), attributable to the slowing down of industrial activity experienced throughout a large part of the industrialized world, and to a reduction of stocks in the hands of users, necessitated by the rising interest rates.

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In contrast, the foreign trade of the Eastern Trading Area\(^1\) appears to have expanded at an accelerated rate in 1967. In 1966, the combined exports of countries belonging to this area have grown by only 6 per cent, largely due to a downward revision of prices applying to certain mutual exchanges. Preliminary indications for 1967, on the other hand, point to a more rapid expansion of export values whose annual increase can be placed in the neighbourhood of 8 per cent.

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\(^1\)Comprising Eastern Europe with the Soviet Union, Mainland China, Mongolia, North Korea and North Viet-Nam.