INTERNATIONAL TRADE 1968: GATT ANNUAL REPORT

International Trade 1968 has six parts and an Appendix:

I. Recent Trends in International Trade. The first part contains an analysis of the main features of international trade during 1968. The second part examines trends in international trade during the first half of 1969.

II. Special Studies. There are two studies: "Japan's foreign trade from 1955 to 1966: its changing role in the internal economy and in world trade", and "Exports of engineering products from selected industrializing countries".

III. Trade in Commodities.

IV. Trade of Industrial Areas.

V. Trade of Non-Industrial Areas.

VI. Trade of the Eastern Trading Area.

I. RECENT TRENDS IN INTERNATIONAL TRADE

Summary of Developments

All the economies affected by the 1967 recessions recovered in 1968. With economic activity generally at or near full-capacity levels, world trade expanded by 11 per cent to $238 billion, a rate previously attained only in 1951, 1956 and 1964. On all three previous occasions, however, the expansion was in part due to rising prices whereas for 1968 as a whole, the general level of export prices or unit values was approximately one percentage point below that of the preceding year. The 12 per cent increase in the volume of world trade registered in 1968 represents a post-war, and possibly an all-time, record.

As the last absolute decline of world trade had occurred in 1958, a decade of uninterrupted growth was thus completed in 1968; in its course, world trade more than doubled in value, having grown from $107 billion in 1958 to $238 billion, or at an average annual rate of 6.3 per cent. In volume, the growth of world trade averaged 7.7 per cent in this period, the near equality of the two rates bearing witness to a remarkable stability of export prices in a period generally characterized by mild but persistent and widespread inflationary pressure. This stability did not exclude significant movements in commodity prices, but even these swings were within narrower limits than in the past decade. A period of uninterrupted expansion of this length and amplitude is without a precedent in the history of international commerce as far as reliable statistics can document it.

With respect to geographic distribution and product composition, the evolution of trade in 1968 followed the pattern established in the post-war decades. Trade of industrial areas expanded again more rapidly than trade of developing countries. Furthermore, exports of industrial countries to, and imports from, each other increased more than their trade with other areas, so that the share of mutual trade in their total exports rose again, to 72.3 per cent, having been only two thirds in 1960. Exports by developing countries to industrial areas continued to grow more rapidly than their exports to each other and the share of mutual trade in their total exports, 23 per cent in 1960, declined further to 20 per cent in 1968. The Eastern trading area on the whole maintained its relative share of world trade.

Nine tenths of the 1968 increment in world trade was due to expansion of trade in manufactured products. Recording an increase of 14.4 per cent, these exports attained the level of $151 billion and their share in world trade, which had been less than half until 1963, rose further to 63 per cent. Industrial areas account for four fifths of world exports of these products; it is noteworthy, however, that in 1968, as in the preceding years since 1962, the expansion of manufactured exports from developing countries was more rapid than that of world trade in these products.
Trade of Developing Countries

Although the trade of industrial countries, particularly their mutual trade, continues to be the most rapidly expanding flow so that its absolute share of world trade has increased further, exports from developing countries have accelerated relatively more in the 1960's than exports of the industrial ones. This is due to two factors. The quantitatively more significant one at present is the growing demand of industrial countries for petroleum and certain raw materials. Demand for ores has been growing particularly rapidly not only because metal engineering has been among the leaders of the post-war industrial expansion but largely also in consequence of the depletion of old deposits in the industrial countries. Whereas in non-ferrous metals industrial countries are importing from developing countries an increasing proportion of their requirements in the form of metal, the reorientation to imported ores has brought about important structural changes in the world's iron and steel industry. The second factor, the full importance of which is only gradually becoming apparent, is the rapid growth of manufactured exports from the developing countries, again predominantly directed towards industrial areas.

Trend in International Trade during the First Half of 1969

Economic activity continued to grow rapidly in the first half of 1969. The aggregate volume of industrial production of the industrial countries in the first half of 1969 was 8-9 per cent above the level of the corresponding period of 1968. Part of the rise took place in the latter part of 1968, and in fact the twelve-month period ending in mid-1969 was one of extremely rapid growth, the increase over the twelve preceding months amounting to over 8 per cent. This compares with increases of 6.3 per cent between the calendar years 1967 and 1968 and 2.4 per cent between 1966 and 1967.

The continued strength of economic growth in the industrial areas has generated a further strong expansion of international trade. Preliminary information suggests that the value of world trade in the first six months of 1969 recorded an increase of 13-14 per cent over the corresponding months of 1968. For trade as well as for production, the twelve-month period ending in mid-1969 was also one of especially strong growth. Excluding the trade of the Eastern trading area, for which semi-annual data are not available, the increase during these last twelve months over the same period of 1967-68 amounted to 15 per cent, which compares with a 12 per cent rise between 1967 and 1968. The exports of the industrial countries rose by 16 per cent in the first half of 1969 while their imports advanced at a slightly slower pace, by 14 per cent. The mainspring of this growth - and of the growth of world trade in general - appears to have been the strength of import demand in the EEC, where imports rose by about one quarter over the corresponding period of 1968.

On the basis of very fragmentary and preliminary information, it can be estimated that exports from the developing countries showed a significant gain in the first half of 1969, benefiting from the high level of economic activity.
in the industrial areas and favourable prices on the whole. The rate of increase over the corresponding period of 1967 was probably similar to the accelerated pace of 9 per cent witnessed between 1967 and 1968.

Prospects for 1969 as a whole are that international trade will show an exceptionally strong increase for the second consecutive year. The momentum gained in the first half of the year seems sufficient to ensure an expansion in the value of trade of at least 10 per cent in 1969. For the industrial areas, recent forecasts point to an export growth of 12 per cent, a rate very close to that achieved in 1968. The generally anticipated cooling-off of the world business climate led by the United States seems more likely to have an impact on the growth of world trade in 1970 than in 1969.

II. SPECIAL STUDIES

1. Japan's Foreign Trade from 1955 to 1968: its Changing Roles in the Internal Economy and in World Trade

I. Expansion of the Japanese Economy.

II. Growth of Japan's External Merchandise Trade.

III. Changes in the Direction of Japan's Foreign Trade and Japan's Contribution to World Trade.

IV. Concluding Remarks.

2. Exports of Engineering Products from Selected Industrializing Countries

I. Production and Exports of Engineering Products - An overall View.

II. Export Experience of Individual Countries.

III. Summary of Export Experiences and Conclusions.

III. TRADE IN COMMODITIES

Main Features in 1968

The value of world trade in primary products attained $384 billion in 1968, rising by about 5 per cent, a rate of growth twice as high as that of the preceding year. The increase in the value of trade in 1968 appears to be entirely attributable to a larger volume of exchanges; in fact average prices of primary products, as measured by the United Nations export price index, weakened slightly between 1967 and 1968, and were back to the level of 1963. However, as opposed to the declining price trend observed during the year 1967, prices picked up in the course of 1968 and recorded a further rise in the first quarter of 1969.
World trade in metals - non-ferrous metals and iron and steel - grew to about $21.5 billion in 1968, expanding at an accelerated pace of 16 per cent in comparison with a gain of only 3.5 per cent in 1967. The growth in value was in the main due to a larger volume of trade although an increase in prices of non-ferrous metals also contributed.

Among the general factors influencing the value and volume of world trade in primary products and metals in 1968, the most important, as well as the most positive, was the resumption of a high rate of economic growth in the industrial countries and the resulting strength of import demand for industrial inputs. On the other hand, the high level of world food production, and more particularly of temperate-zone foods in importing areas, tended to weaken import demand as well as prices.

The value of world trade in food showed the slowest growth of all broad commodity categories in 1968, the increase being only of the order of 1 per cent. An expansion in the volume of exchanges was partly offset by a decline in average prices between 1967 and 1968.

International trade in raw materials other than minerals, after having declined in value in 1967, increased by over 6 per cent to a new record of $16 billion in 1968. The increase in the value of trade is attributable to an increase in the quantum of exports, as average prices remained at the depressed level of 1967, about 5 per cent below that of 1963.

The value of world trade in fuels advanced at the accelerated pace of 10 per cent in 1968, in keeping with the more rapid growth in energy consumption in the industrial countries. Crude petroleum deliveries to the industrial areas progressed by 13 per cent, primarily owing to a strong increase in the requirements of Western Europe, but also because of larger Japanese and United States purchases.

After having risen by only 4 per cent in 1967, world trade in ores and metals, spurred by the strong growth in industrial production, grew by 15 per cent to an estimated $29 billion in 1968. Exports of non-ferrous metals recorded the most rapid expansion in value, rising by over a fifth, movements in both volume and price being favourable.

In addition to surveys of Trade in Individual Products, this Chapter includes a section on Some Aspects of Trade in Steel in the 1960's.

Textiles and Clothing

The stagnation during 1967 of international exchanges of textiles and clothing proved to be only temporary. In 1968 growth was resumed and, at an estimated level of $14,000 million, world exports of textiles and clothing were roughly 14 per cent higher than in 1967, and almost 17 per cent above the level of 1966.
All major product groups participated in this expansion and while the extent to which they did so differed widely from group to group, the differences on the whole corresponded to already established trends. Clothing again represented the more dynamic element of this trade, its exports recording a gain of some 19 per cent to an estimated total of $4,125 million, whereas the exports of textiles, estimated at $9,375 million, increased by about 12 per cent. Exports of synthetic fibre yarns and fabrics continued to grow much more rapidly than those of cellulosic, cotton and woolen textiles, all of which increased only slightly from the preceding year's levels.

IV. TRADE OF INDUSTRIAL AREAS

Main Features in 1968

Among the outstanding features of industrial areas' trade in 1968, the steep rise in imports into the United States - by 24 per cent or $6.8 billion - deserves to be mentioned first. As in the trade of industrial areas in general, it was the United States imports of semi-manufactured products and of consumer goods, durable and non-durable, that expanded most, while those of industrial equipment and other capital goods made only a relatively modest advance. The impact of the unusually strong import demand of the United States on other industrial countries can best be indicated by a ratio relating the increase in exports towards the United States to the increment in total exports by individual industrial countries. In Canada, the increase in exports towards the United States accounted for 86 per cent of total export increment, in the United Kingdom for 44 per cent, in Japan for 43 per cent and in the Federal Republic of Germany for 24 per cent. Only in Italy, where total exports increased by 17 per cent, did exports to the United States increase less rapidly than those to other destinations.

In the category of consumer goods, note should be taken particularly of the large increase in the exports of passenger cars (about one third), radio and television sets (30 per cent), clothing and footwear, and articles of plastic (nearly one fifth in both instances). The increase in imports of these products by the industrial countries was still larger: nearly 40 per cent in the case of passenger cars, over 30 per cent in radio and television sets, and about a quarter in the other two product groups.

With regard to capital goods, there was a pronounced upward swing in trade in road vehicles other than passenger cars, and aircraft. In particular, imports of aircraft rose by one half, and exports by 40 per cent, the United States accounting for four fifths of the export increase.

V. TRADE OF NON-INDUSTRIAL AREAS

The economic situation of developing countries in 1968 was favourable with respect to both domestic and external demand. For the second year in succession, harvests were on the whole very good, industrial production regained its high
growth rate and, from the point of view of increase in export earnings, 1968 was one of the four best years of the post-war period (1952, 1962 and 1964 being the three other years). Agricultural production, which had already increased by 7 per cent in 1967, progressed by a further 2 per cent in 1968. Imports of foodstuffs declined by some 2 per cent in 1968 - a decline that had not occurred on this scale for some fifteen years.

The expansion of exports from the developing countries was mainly due to the resumption of economic growth in the developed areas. The volume of these exports grew by about 8 per cent in 1968, so that, with a rise of approximately 1 per cent in unit values, there was an increase in export earnings of some 9 per cent as against 3 per cent in 1967. The growth of developing countries' export earnings in 1963-68 thus averages 7 per cent annually, making those six years a period of the most rapid expansion on record. In terms of volume, the export expansion of 1968 had never been exceeded since the end of the war, though the increases in 1955, 1963 and 1964 were at almost the same level.

One of the factors influencing the earnings of developing countries is relatively new; it is the growth of exports of manufactures. This factor merits some attention because of the importance of its implications. Since 1959, the growth in exports of manufactures by developing countries has been steady with some tendency to accelerate. Between 1960 and 1967, the annual average rate of growth of manufactures was 12.3 per cent, whereas total export earnings increased during the same period by only 5.6 per cent a year, and those of raw materials, including petroleum, by 4.4 per cent a year. This brought about a steady increase in the proportion of export earnings from manufactures in the total figures, from 8 per cent in 1955 to 10 per cent in 1962, 14 per cent in 1967 and probably close to 16 per cent in 1968.

According to provisional estimates made by the GATT secretariat, exports of manufactured articles increased in 1968 by approximately 20 per cent, a rate achieved only once before, in 1963.

Since 1965, manufactures have been, as it were, taking over from petroleum the function of the principal agent in the growth in total export earnings of developing countries. Whereas up to 1964 the annual increase in absolute figures in petroleum earnings was, with very few exceptions, almost double that of manufactures, since 1965 the gap between the two absolute figures has been very slight, only about 30 per cent; and in 1968, according to provisional data, the difference virtually disappeared.

In its geographical aspect, the vigorous expansion of exports from the developing countries in 1968 was mainly the result of a very rapid growth in sales to the developed countries, combined with a recovery in intra-regional trade and a very modest increase in sales to the Eastern trading area after declines in both cases in the two preceding years. Exports to the developed market-economy countries rose by over 9 per cent as against 5 per cent in 1967 and an annual average of 3 per cent from 1962 to 1966. Thus in 1968 the developed countries absorbed 74 per cent of the total exports of the developing countries, a proportion never attained previously.
VI. TRADE OF THE EASTERN TRADING AREA.

Foreign trade of the Eastern trading area expanded in 1968 somewhat more rapidly than in the preceding two years, although not as rapidly as world trade. Exports of this area increased by 8.6 per cent to $27.03 billion, while imports grew at almost the same rate to $25.87 billion. The area's export surplus in f.o.b. terms, which had doubled between 1965 and 1967, rose further to $1.16 billion, due mainly to a surplus in trade with developing countries.

This overall expansion conceals, however, considerably divergent trends in the main trade flows. While the trade of Eastern Europe and the USSR continued to expand strongly, the trade figures of the Asian centrally-planned economies failed to show any increase for the second consecutive year.