"International Trade, 1952": New GATT Report published

Since 1949 the GATT secretariat has published three progress reports, namely The Attack on Trade Barriers, Liberating World Trade and GATT in Action. *International Trade, 1952*, is the most ambitious report to be published so far, in that it presents the work of the GATT Contracting Parties against a comprehensive account of the main developments in international trade. In his foreword, Mr. Eric Wyndham White, Executive Secretary, states that this report has been prepared by the secretariat at the request of the Contracting Parties and that the secretariat is responsible for the opinions expressed in it.

The Report has three parts. Part One analyses the changes in the structure and pattern of world trade in recent years. Part Two reviews the main developments in governmental action - tariffs, quota restrictions, subsidies and so forth - affecting the movement of world trade. Part Three describes the work of the Contracting Parties since the beginning of 1952 and indicates some of the problems that lie ahead.

*International Trade, 1952*, Geneva, June 1953; 124 pages including tables; available in English and French editions, from Sales Agents for United Nations publications; Price $1.50 U.S., 1/- Sterling, Swiss Francs 6.00 (or equivalent in other currencies).
PART ONE

Recent Developments in the Structure and Pattern of International Trade

General Trends. International trade since the War has made a spectacular recovery, the Report states. By 1948 world trade, i.e. the volume of the exchange of goods, had nearly regained the level of the immediate prewar years; in 1949 it reached the all-time record of 1929. Further, the rate of growth during 1946-1951, by about two-thirds in five years, was unprecedented; and in 1951 world trade established a new record exceeding the 1929 peak by one quarter. According to provisional data, this level was almost maintained in 1952. This development, the Report states, took place at a time when many governments maintained severe restrictions on imports and, to a lesser extent, on exports. But it would have been more impressive if the flow of goods had not been stimulated by the extensive assistance granted by the United States in the form of economic aid (not to mention military aid) which amounted to about $35,000 million from 1945 to 1952, a figure which represents roughly one-tenth of the total value of international trade during that period. (p.1)

The Volume of Production entering into International Trade. Although the advances made by international trade as compared with the immediate postwar years are substantial, the picture is less favourable when seen in a longer perspective, in that the share of world production that enters international trade is now much smaller than it was in the 1920's. The Report shows that during the period 1925 to 1932 (which covers both the upswing and downswing of the trade cycle) the share of total production entering international trade was about 28 per cent, at a constant rate; whereas in postwar years, that share dropped to about 20 per cent. (p.3)

If the production and trade of primary products, on the one hand, and of manufactures, on the other, are considered separately, marked differences are revealed. Whereas the part of primary commodities produced (which include mine products as well as foodstuffs and other agricultural commodities) that entered international trade remained more or less constant during the prewar period and has fallen during the postwar period (from 30 per cent in 1929 to 26 per cent in 1951), the part of manufacturing output that was traded, which had already fallen substantially after 1932, has dropped even more since the War (from 26 per cent in 1929 to about 16 per cent in 1951). (p.3)

Commenting on this trend, the Report states: in view of (a) the lesser flexibility in both the supply of and the demand for food and raw materials as compared with manufactured goods and (b) the exceptionally high level of manufacturing production since the War, these results are not unexpected. However, the Report continues, it should be noted that the share of manufacturing production entering international trade has declined both during
the recovery of 1933-1937 and during the postwar period. In both these
periods many governments introduced or maintained severe restrictions on the
flow of goods. Hence, it would seem that the trend towards greater self-
sufficiency reflects not only developments in the field of production (such
as a certain degree of success in rearing infant industries to competitive
manhood or the growing importance of synthetic substitutes), but also the
outcome of measures taken by governments in the field of commercial policy,
aiming primarily at protecting the balance of payments, the Report states.
(See also comment on this point in Part III.)

The Effect of Changing Price Levels. Another significant influence on the
structure of international trade since the War is the fact that the price level
of primary commodities has trebled since 1938, while that of manufactures
has only doubled. This substantial change in the terms of trade as between
primary products and manufactures has affected the composition of interna­tional trade as well as the shares of various countries and areas. If
values are considered, the share of manufactures and that of primary products
are now about the same as before the War. If volume is considered, manu­
factures now account for a much larger share; when volume is measured at 1938
prices, the share of manufactures has increased from 43 per cent in 1938
to about 53 per cent in 1951. In other words, international trade now consists
of manufactures to a much larger extent than before the War. (p.6)

Commenting on price levels the Report states that it may be difficult
to visualize the continuance of a situation in which the prices of manufactures
remain (relatively to prewar) at a much lower level than those of primary
products in view of the important part played by the prices of raw materials
in the cost structure of manufacturing production, unless the manufacturing
countries have succeeded in offsetting this worsening of their terms of
trade by substantial advances in manufacturing productivity. In these
circumstances it is hardly surprising that those industrial countries which
have made the greatest progress in improving their productivity have secured
a larger share of world markets for manufactures, at the expense of their
less efficient competitors. (p.7)

Trade between Industrial and Primary Producing Areas. It is only natural
to find, the Report states, that since the share of manufactures in the total
value of trade has been practically the same in 1938 and 1951, the share of
the main industrial areas as a whole in the value of international trade is
about the same in those two years. Taking together the dollar area, continen­tal Western Europe and the European members of the sterling area (a group
which comprises a very large part of the world's industrial production) their
combined exports, as well as their imports, accounted for just under two-thirds
of the total value of international trade in 1951 as well as in 1938.

After examining these figures in more detail the Report concludes that
these facts seem to indicate that the general structure of trade by value
shows considerable stability despite the differences in the degree and nature
of governmental controls and restrictions before and after the War. (p.8)
Pattern of Trade between Areas. Substantial changes have taken place since the War in the relative importance of the foreign trade of the main areas. This is due, largely, to the divergent trends in the prices of primary products and of manufactures, and to the unequal advance in productivity in the various countries. The industrial regions, as stated above, account for about 65 per cent of the total value of world import and export trade; the rest of the world, consisting mainly of primary producing regions, accounts for about 35 per cent. The Report shows, however, that there have been significant shifts within each area. In the industrial group, the dollar area has increased its share in world exports and imports at the expense of the industrial countries of Western Europe (continental Western Europe and the European sterling area). The Report examines the extent to which the shifts that took place in the foreign trade of the industrial countries were dependent upon their relations amongst one another and with the rest of the world, and assesses the part played in these shifts by trade in manufactures and in primary products respectively. After analysing the changing pattern of trade balances, the Report states that the significant increase in the adverse balance of continental Western Europe was due mainly to trade with other industrial areas, mainly the dollar area; it resulted, as before the War, mainly from an import surplus of primary products. (p.10)

Pattern of Trade of the Dollar Area. The various changes which have taken place in the structure and pattern of international trade since the War have directed attention to the trade surplus of the dollar area. While smaller in relation to world trade than before the War, this surplus raises more difficulties now than before, mainly because the deficit countries can no longer rely to the same extent on earnings from invisible exports which, before the War, played an essential part in the balancing of their external payments.

The surplus of the dollar area since the War, the Report states, is due to two main factors, (a) a large export surplus of manufactures to primary producing areas and (b) an equally large export surplus of primary products to the European countries. The first phenomenon is no doubt largely due to the extraordinary success of American industry in raising productivity; the second phenomenon is mainly due to the inability of the other industrial regions to obtain supplies of some primary products from traditional sources outside the dollar area. The European industrial countries have been losers on both counts: the deterioration in the terms of trade of manufactures has adversely affected their situation vis-à-vis the dollar area and vis-à-vis the primary producing countries since they appear mainly to sell manufactured goods against primary products in both cases. (p.11)

Conclusions on World Trade Trends. It would seem, the Report states, that the profound changes that have taken place in the network and composition of world trade since the War cannot be ascribed entirely to transitory disequilibria which are the legacy of the War, nor can their results be dealt
with by purely financial measures alone, although such measures are essential in that they create the incentives and conditions for the necessary adjustments. More fundamental factors may be at work, such as the physical production of the various types of commodities in the various parts of the world and the extent to which the output of these commodities is exported or retained for domestic consumption. More attention than hitherto may have to be paid to these factors in endeavouring to overcome the imbalance which still characterized international trade at what was to have been the end of the transitional period after the War, the Report concludes. (p.11)

Trade in Individual Commodities. The Report examines the trend of trade in commodities and deals in some detail with foodstuffs (cereals, animal products and other products including coffee, cocoa, sugar, tobacco, citrus fruits, wine and oils and fats) raw materials and semi-manufactured goods (textile fibres - raw cotton, wool and jute - wood pulp and newsprint, rubber, petroleum, coal, iron ore, steel, copper and tin), finished manufactures (consumer goods and capital goods, with details on textiles, passenger cars, machinery and transport equipment, including agricultural machinery, textile machinery, office machinery and commercial vehicles).

Some marked changes in the trade of consumer goods and capital goods are noted. The outstanding feature of international trade in finished manufactures during the postwar years is the shift between consumer goods and capital goods, the Report states. Among the combined exports of manufactures from the principal producing and exporting countries, machinery and transport equipment more than doubled in volume between 1938 and 1951. Consumer goods, by contrast, increased by some 20 per cent only. This development reflects a growing demand for capital goods in both industrialized and non-industrialized countries. At the same time, increased domestic production of certain consumer goods, notably textiles, has caused a slackening in the world's import demand for such goods.

Profound changes have occurred as regards the destination of the world's exports of capital goods. Before the War 58 per cent of the world's exports by volume went to the main primary producing areas. In spite of an increase in the volume of capital goods exported to these areas, the proportion of world exports of capital goods which went to the primary producing regions in 1951 had fallen to 49 per cent. On the other hand, trade in capital goods among the industrialized areas of the world rose by nearly two and a half times between 1938 and 1951. Similar tendencies have also been shown as regards trade in consumer goods. Before the War the primary producing areas were receiving 58 per cent of the volume of world exports of consumer goods. In 1951 they received only 46 per cent. (p.25)

Trade of Countries. The Report reviews the trade of the world by areas and by selected countries: their share in world imports and exports, and the

1 Consumer goods here consist of textiles, passenger cars and miscellaneous manufactures. Capital goods consist of machinery and transport equipment. - MORE -
direction of their trade. The following short items have been selected as indicative of certain trends.

The share of the dollar area in world exports continued in 1952 its spectacular rise; from 22 per cent in 1938 to 28 per cent in 1951 and to 30.7 per cent in 1952. Two outstanding features during 1952 were (a) the continued increase in the value of Canada's exports which in 1951 stood at 27 per cent and in 1952 at 43 per cent above the 1950 level and (b) the decline of United States exports of a purely commercial character, by nearly one-tenth. (p.33)

Turning to the direction of trade, the share of the dollar area's total exports that went to its own members was 45 per cent in the first half of 1952. With regard to imports the concentration on supplies from within the area is even more pronounced. Well over two-fifths of United States imports and nearly four-fifths of the imports of the other members originate in the dollar area. (p.33)

The value of both exports and imports of Western Europe (combined metropolitan area) showed little change from 1951 to 1952 with exports at about $19,300 m. and imports at about $20,700 m. The Federal Republic of Germany made remarkable export progress in 1952, and is now the leading exporter in continental Western Europe, accounting for one-fifth of the total. The trade deficit of Western Europe in 1951 and in 1952, was somewhat over $1,400 m. in spite of major improvements in the balances of the Netherlands, Germany, Switzerland, Greece, Denmark and Austria. The imports of Western Europe from the United States, excluding the "special categories", decreased by over $400 m. during 1952. (p.38)

By the middle of 1952 the combined trade of the countries of Eastern Europe (Albania, Bulgaria, Czechoslovakia, Eastern Germany, Hungary, Poland, Rumania and the U.S.S.R.) and mainland China with the outside world had fallen to 2 per cent of international trade by value. Nevertheless, the Report states, the value of Eastern Europe's exports to outside destinations has been increasing steadily from about $860 m. in 1950 to about $1,200 m. (at an annual rate) in the first half of 1952. Exports from the mainland of China, however, declined from $480 m. in 1950 to $300 m. in the first half of 1952 (annual rate). The limited impact of the region's external trading activities on total international trade is in sharp contrast with the fact that trade among these countries is large and is increasing vigorously. In 1951, exchanges with other members of the group accounted for 100 per cent of the trade of Albania and for 60 per cent or more for the others; in the case of the U.S.S.R. the proportion was 80 per cent in 1952. (p.47)

As regards trade relations with the outside world, the exports of Eastern Europe increased most towards some Scandinavian countries, the European sterling area and the Middle East while they declined relatively towards the rest of continental Western Europe although the latter group of countries still
absorbs almost half of Eastern Europe's exports. The trade of the Chinese mainland with countries outside the group appears to be diminishing steadily, and to converge more and more on Far Eastern sterling countries and dependencies, specially Hong Kong, the Report states.

Turning to selected Far Eastern countries the Report comments that a sharp difference is noticeable in the fortunes in international trade of the countries exporting rice (Burma and Thailand). A large increase in the demand for rice by Japan, Indonesia and the Philippines has occurred; this has enabled Burma and Thailand to sell rice at continuously increasing prices. In the second half of 1952 the export price of Burma rice was 31 per cent above the 1951 level. As a result Burma's trade during the first nine months of 1952 was practically in balance. (p.49)

In 1952 the trade deficit of Japan was the highest since the War, and for the first time since the War the value of Japanese exports fell - by 6 per cent from 1951 to 1952, while the value of imports remained stable. In the last three years, the Report states, Japan's exports have shown an increasing tendency to flow towards the sterling area, which during the first half of 1952 received more than half of total Japanese exports. After the payments agreement of August 1951 which provided that Japan and the sterling area would accept each others currency for trade settlements without limit, Japan's exports began to increase vigorously. By April 1952 the accumulation of sterling credit by Japan was such that exports to the sterling area began to be discouraged, a tendency which was reinforced by import restrictions on Japanese textiles in British Colonies. The current six-monthly import programme (April-October 1953) plans for a reduction in imports from the sterling area by $300 million. Japan's trade deficit with the dollar area, which is mainly due to dependence on industrial raw materials and fuels, reached a maximum during the first half of 1952, when Japan's imports were four times the value of her exports to that area. (p.52)

PART TWO

Barriers and Controls in International Trade Tariffs. This part of the Report reviews the principal events of the past year or two in the application of trade barriers and controls. Limited tariff reductions in certain countries are noted, some of them (India, Brazil) intended to promote domestic industries by making it easier to import semi-finished goods or capital equipment. In some countries (France, Brazil) import duties have been suspended as a measure against inflation. The Report also notes very limited tariff negotiations held between Germany on the one hand and South Africa, Austria, Turkey, Belgium, and Switzerland (a more extensive negotiation), respectively. France negotiated with Haiti, and the United States and France with Venezuela.

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Some increases of duties which are not bound under the GATT schedules (or where maximum rates under GATT had not been applied) and the re-imposition of suspended duties are noted, as well as the arrangements for the removal of duties on certain products among the six countries of the Coal-Steel Community. The Report comments on the never ending process of adjusting customs tariffs to current needs, the process of changing over from specific (by weight) to ad valorem tariff systems, and the reconstruction of tariffs resulting from adherence to the Brussels Convention of December 1950 on nomenclature for classifying goods. Important tariff reforms are projected by Denmark, Czechoslovakia, Nicaragua, Philippines, Switzerland and Turkey. (p.56)

**Measurement of Tariff Levels.** For the first time since the War some facts and figures are published on the measurement of tariff levels. The Report shows how the calculations were made (including the techniques used by the League of Nations) and provides a table which compares—with considerable reservation as to its accuracy—the changes in the average incidence of customs duties in a number of countries on a representative group of articles entering into international trade, in the years 1913, 1925 and 1952 respectively. These indices indicate, the Report states, that the tariffs of North America and Scandinavia were lower in 1952 than in 1925, while those of the United Kingdom and other countries of Western Europe were higher. (p.62)

The Report in its review of barriers and controls in international trade goes on to provide a brief survey of subsidies—subsidies to encourage exports and subsidies to reduce costs of production or transport—and proceeds to a more detailed review of recent developments in the application by governments of quantitative import restrictions, which are today mainly intended, in conjunction with exchange restrictions, to safeguard monetary resources. The Report gives details about recent changes in the quantitative restrictions imposed by the sterling area (United Kingdom, Australia, New Zealand, India, Pakistan, Ceylon, South Africa, Southern Rhodesia), the OEEC countries (France, German Federal Republic, Italy, Denmark, Netherlands, Norway, Sweden, Portugal, Iceland, Greece), Argentina, Brazil, Chile, Uruguay, Japan, Philippines, Egypt, Sudan and Jordan. The Report also reviews briefly the restrictions on exports imposed by various countries, and adds some comments on the extensive network of bilateral trade agreements which has grown up since the War. (pp.62-92)

**PART THREE**

The Activities of the Contracting Parties to the GATT. Part III recapitulates GATT developments in 1952-1953 and indicates the principal subjects which will arise at the Eighth Session, due to meet at Geneva on 17 September. These include the assured life of the GATT schedules, prospects for future
tariff negotiations, and the outlook for the removal of quantitative restrictions.

On this point the Report comments as follows: The incidental protective effects of restrictions were an important subject of questioning in the 1952 consultations and bid fair to become an increasing preoccupation of the Contracting Parties in the years to come. Although the governments applying restrictions have acknowledged the desirability of reducing these protective effects to a minimum, it must be accepted that most quantitative restrictions, whether the governments intend it or not, are performing two functions—one financial, the other protective. There is an ever present danger that the protectionist factor may become a guiding consideration in determining which items are to be subject to licence. Many enterprises have not had to compete with imported products in substantial quantities for fourteen years or more, and young industries which have grown up since the War have never had to face the full impact of competition with imports.

Some governments, the Report states, as their financial position has strengthened, have first removed the restrictions which had the least protective value while retaining restrictions on products more sensitive to foreign competition, notably on agricultural products. The real test will come when the improvement in the financial situation requires the removal of even those restrictions whose protective incidence has been most pronounced, the Report concludes. (p.107)