
International Trade, 1953* is the second annual report prepared by the GATT secretariat. It presents the work of the Contracting Parties to the GATT and the main developments in international trade during 1953, with extensive statistical material.

The Report has three parts. Part One analyzes recent developments in the structure and pattern of world trade. Part Two reviews the main developments in governmental action - tariffs, quantitative restrictions, export incentives, trade agreements. Part Three describes the recent activities of the Contracting Parties and indicates the subjects likely to come up for discussion at the Ninth Session in October 1954.

PART ONE

Recent Developments in the Structure and Pattern of International Trade: General Trends since mid-1950. The year 1953 witnessed a significant change in the pattern of international trade, the Report states. The extraordinary price structure which had distorted international commodity flows since the outbreak of war in Korea in mid-1950 gradually reverted to the pre-Korean situation. While international trade has remained at a high level,

* International Trade, 1953, Geneva, June 1954; 147 pages including tables; available in English and French editions, from Sales Agents for the United Nations publications; price $1.50 or equivalent in other currencies.
important shifts in the flow of goods between the industrial areas have brought out a pattern far better balanced than at any time during the postwar period. (p. 5)

With the terms of trade between primary products and manufactures returning to what they were before the Korean war, with the development of exports of manufactures by the European industrial area toward the dollar area, and with the successful substitution of non-dollar supplies for imports from North America by these European countries, the dollar deficit has been greatly reduced. At the same time the level of trade among the non-industrial areas has remained remarkably constant and has contributed to the stability of international trade, the Report states. (p. 5)

The Value and Volume of International Trade. The Report presents a table (Table I) which shows (a) the value and (b) the volume of international trade 1950-1953. (p. 6)

The value of total international trade, based on export figures, (including United States 'special categories') has increased as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>1st half at an annual rate</th>
<th>2nd half at an annual rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>$51.32</td>
<td>$59.76</td>
</tr>
<tr>
<td>1951</td>
<td>$76.26</td>
<td></td>
</tr>
<tr>
<td>1952</td>
<td>$73.46</td>
<td></td>
</tr>
<tr>
<td>1953</td>
<td>$73.46</td>
<td>$75.60</td>
</tr>
</tbody>
</table>

The volume of total international trade (including United States 'special categories') is shown by the following index numbers, first half of 1950 = 100.

<table>
<thead>
<tr>
<th>Year</th>
<th>1st half at an annual rate</th>
<th>2nd half at an annual rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>100</td>
<td>107.3</td>
</tr>
<tr>
<td>1951</td>
<td>117.6</td>
<td></td>
</tr>
<tr>
<td>1952</td>
<td>115.4</td>
<td></td>
</tr>
<tr>
<td>1953</td>
<td>119.9</td>
<td>122.8</td>
</tr>
</tbody>
</table>

The value of international trade, expressed in dollars, which had increased during the whole postwar period until 1951, declined for the first time in 1952 and again in the first half of 1953, but made a spectacular recovery in the second half of 1953. This is true whether the special category exports from the United States are included or excluded. (Special category exports from the United States are those which, on security grounds, are not reported by
area of destination. Their value has been increasing steadily since they first appeared in 1950, from $630 million in 1950 until, in the first half of 1953 they were at an annual rate of nearly $4,500 million.) (p.7)

In the second half of 1953 the value of world trade was again close to, and its volume substantially exceeded, the 1951 maximum if the special category exports are included. Up to the end of 1953 the downward adjustment in United States business conditions, which has been evident during the second half of the year, failed to produce the depressing effects on international trade that had been widely expected, the Report states. (p.7)

Price Movements in International Trade. The world price situation in 1953 was characterized by two main features: first, the general level of prices in international trade was about 20 per cent higher than in the half year that preceded the Korean war. Secondly, the prices of primary products and manufactures were again in about the same relation to each other as they had been in 1950. In other words, the 'terms of trade' between these broad classes of commodities had reverted to the pre-Korean situation. (p.8)

Commenting on the prices of primary products, the Report states that strong divergencies appear when a distinction is made between such primary products as originate mainly in the dollar area and others which come principally from other parts of the world, and particularly from the sterling area. In 1951 the prices of 'dollar commodities' imported into Western Europe were only about 13 per cent, and those of primary products from all other sources nearly 40 per cent higher than in the first half of 1950. In other words 'dollar commodities' had become nearly 20 per cent less expensive than other primary products. By the middle of 1953 this large discrepancy had narrowed down to 8 per cent, thus offering another indication that the conditions of international trade were becoming less abnormal after the wide and erratic movements of the preceding years. (p.9)

Trade between Industrial and Non-Industrial Areas. The price changes of the last four years have had large effects on the value of international commodity flows, particularly as regards the exchanges between the primary producing and the industrial parts of the world, the Report states. (p.9)

While the overall structure of trade between industrial and non-industrial areas seems to have remained fairly unaffected by the price changes described above, the values involved show some striking features. In the first place the value of trade within the industrial areas has been almost entirely unchanged since 1951, at the rate of $25,000 million per year. The fall in the total value of world exports (excluding United States special category) from $75,000 million in 1951 to $69,000 million in 1953 (first half at an annual rate) was therefore entirely accounted for by trade between industrial and non-industrial areas, and among the latter. More than two-thirds of the total decline in world exports since 1951 affected trade between the industrial and non-industrial parts of the world while trade among the primary producing areas accounted for the rest. (p.11)
The primary producing areas had in the first half of 1952 an unprecedented adverse trade balance with the industrial world of nearly $3,000 million (annual rate). Their customary export surplus reappeared in the following six months. In the first half of 1953 this surplus slightly exceeded $1,000 million, but this was only half as large as in 1950, when prices were much lower. Thus the main impact of the decline in prices and trade since 1951 was from the non-industrial areas, the Report concludes. (p.11)

Commenting on the improvement in the terms of trade between manufactures and primary products since 1951 the Report states that this trend has not been an unmixed blessing for the industrial areas; not only are they themselves—especially North America—suppliers of primary products, but also, and mainly, because their reduced outlay for food and raw materials imported from non-industrial areas has reflected itself in a sharp reduction of the market for their manufactured goods in those areas. (p.13)

Trade within the Industrial World. The remarkable constancy of the value of trade inside the industrial world since 1951 is the combined result of a decrease by $1,150 million between the three main industrial areas and a growth of trade within each of them which together added up to the same figure, the Report states. (p.14)

Pattern of Trade between Individual Areas. As regards trade within the industrial world the largest change occurred in North America's surplus on account of primary products in its trade with Western Europe. The total change in North America's trade balance vis-à-vis the industrial world between 1951 and 1953 reached nearly $1,500 million. It was due not only to a large reduction in supplies of primary products to other industrial destinations but also, to the extent of nearly $400 million, to increased imports of manufactures. (p.15)

A very substantial reduction occurred also in the total import surplus of the European sterling area vis-à-vis other industrial countries. Between 1951 and 1953 this trade deficit was reduced by more than $1,000 million. While this change was mainly accounted for by a decline in net imports of primary products, more than $400 million was due to an increase in the export surplus on account of manufactures much of which was brought about by reduced imports, following deliberation in 1952. (p.15)

Examination of the trade position of each industrial area with the other two (the three main industrial areas are North America, the European sterling area and Continental Western Europe) conceals a profound change which occurred in the balances between the sterling and the Continental countries of Western Europe. While the European sterling area in 1951 had an import surplus vis-à-vis the Continent which exceeded $600 million, that balance in the first half of 1953 had turned into an export surplus of $50 million. Hence more than half the total improvement in the trade balance of the European sterling
countries in their trade with the other two industrial areas, (which was well above $1,000 million) took place vis-à-vis the European continent, whereas nearly two-thirds of the reduction in the adverse trade balance of the Continental European countries in their trade balance with North America was wiped out by the disappearance of their export surplus with the sterling countries of Europe. (p.16)

This shift in commercial relations between the Continental and sterling countries of Western Europe has of course considerable importance, since the Continental countries have not been able to cover their sterling requirements due to their large imports of primary products from the sterling area through trade with the United Kingdom, the Report states. (p.17)

Europe's trade balance with North America. By far the most significant recent development is the improvement in the trade balance of industrial Europe taken as a whole vis-à-vis North America, the Report states. Between the first half of 1950 and the full year 1951, the adverse trade balance of Western Europe vis-à-vis North America remained nearly unaffected by the increase in prices and in fact deteriorated by only $200 million per year, from $2,200 to about $2,400 million. This was followed by a spectacular improvement which by the first half of 1953 reached nearly $1,500 million ... . From 1951 to the first half of 1953 the improvement in Europe's trade balance with North America was primarily due to a decline by about $1,100 million in imports of primary products which was accompanied by a further substantial increase ($340 million) in the exports of manufactures to that region. In the same period Europe's exports of primary products to North America and her imports of goods from North America hardly changed ... . The dominant factor in the improvement in Europe's dollar position was the increase in the exports of manufactures which amounted from 1950 to 1953 to more than $1,150 million per year. (p.17)

The substitution since 1951 of primary products from other sources in place of dollar supplies has taken different forms. Imports of wheat from North America were lower partly because of larger domestic production in many European countries, partly because of larger imports from France, Turkey and Sweden. Tobacco imports into Continental Europe increased in 1952 particularly from Greece and Turkey. Of timber and wood-pulp a larger share has been imported from Northern Europe and Austria. In the case of cotton, European supplies have risen from Egypt, Turkey, Pakistan and Brazil. In respect of petroleum products the share of the Middle East has grown. While as regards coal there have been larger supplies from the United Kingdom and increased trade within the European Coal and Steel Community, and there has also been a general decline in consumption. (p.19)

The Tendency towards Regionalization. The Report comments on the strong growth of commercial interchange both within Western Europe and between the European industrial regions and the non-dollar supplies of primary products. This tendency has affected North America as well, where trade has been particularly well maintained with the so-called dollar countries of Latin America with which there are close links through what actually amounts to a common currency and the
virtual absence of quantitative restrictions. The United Kingdom constitutes the industrial bridgehead of the whole sterling area with many of whose members the monetary connection is reinforced by preferential customs treatment. (p.19)

The increased regionalization of trade is distinctly a postwar phenomenon, the Report states. But it has obvious roots in the monetary disorganization of the earlier postwar years. In 1937 and 1938 the total value of commercial transactions within the regions that now comprise the dollar area, the sterling area and the combined continental OEEC countries and their dependencies amounted to 33 and 35 per cent, respectively, of world exports in those two years. Since the war this ratio has been rising from 39 per cent in 1948 to 46 per cent in 1953. Although the comparison between prewar and postwar years is subject to a number of reservations, it may be said that the progress of regionalization has affected the trade in manufactures more profoundly than trade in primary products. (p.20)

Concluding Note on World Trade Trends. The Report states that the most notable development in the pattern of international trade since the pre-Korean position has been the great improvement in Western Europe's balance of trade with North America. The trade deficit in the first half of 1953, at an annual rate of nearly $1,000 million, stood at less than half the 1950 level. This improvement was due principally to increased exports of manufactures from Europe. (p.22)

In other sectors of trade, however, the improvement was not continuous; for during this period, especially in 1951, there was a very great increase in the value of Europe's imports of primary products from the United States and Canada. Between 1951 and 1953 this trend was reversed, the value of imports of foodstuffs and raw materials from overseas dependencies and other soft currency sources greatly increased while those from North America declined. (p.22)

Trade in Individual Commodities. The Report examines the trend of trade in commodities and deals in some detail with foodstuffs (cereals, livestock products, and other products, comprising coffee, cocoa, tea, sugar, tobacco and fresh fruit), raw materials (wool, cotton, jute, natural rubber, synthetic rubber and fats and oils), forestry products, fuels, metals, manufactures (with details on textiles, passenger cars and machinery).

The Report comments on the great decline of world trade in primary products. While the total value of trade in manufactures rose by $700 million between 1951 and 1952, trade in primary products fell by $3,500 million. In the first half of 1953 the value of manufactures rose by about $500 million (at an annual rate) in comparison with 1952, whereas there was a further fall by $1,500 million in the export value of primary products. The great decline in the value of world trade in primary products since 1951 was essentially due to lower prices. Rubber and textile fibres accounted for more than half the total reduction in the value of exports from primary producing regions. The regions most heavily affected were the overseas sterling area and the non-dollar countries of Latin America. (p.23)
Within the total value of trade in manufactures the share of capital goods* has been rising vigorously in the last three years. If the United States 'special categories' of exports are included, capital goods' exports accounted for 33 per cent in 1951 and 36.5 per cent in 1952 of the aggregate exports of manufactures from the three main industrial areas. In the first half of 1953 this share rose to 37.5 per cent. (p.24)

Trade of Countries. The Report reviews the trade of the world by areas and by certain individual countries. The following items have been selected as indicative of certain trends.

Excluding the 'special category' exports from the United States, the external trade of the United States and Canada has in recent years accounted for nearly one-fourth (23 per cent) of the value of world exports. This includes a rise of trade within the region from about $4,800 million in 1951 to $5,600 million in the first half of 1953 (at an annual rate). North America's imports, on the other hand, hardly changed since 1951. The resulting aggregate surplus in world trade with the rest of the world on commercial account has, therefore, undergone a reduction from over $3,000 million in 1951 to about $800 million in 1953 .... This reduction of the surplus in North America's trade with the rest of the world was mainly due to a reduction in United States exports. (p.54)

The principal changes in Canada's trade position since 1951 have occurred in her commercial relations with the United States. Her exports to the neighbour country have been gradually rising in value up to mid-1953, but, on the other hand, her imports from the United States have risen appreciably, thus more than doubling the trade deficit with that country. (p.55)

Total exports and imports of Continental Western Europe have been declining slowly from 1951 to mid-1953, although trade among the countries of the area has risen in value. Nearly three-quarters of the decline in the value of exports to other areas up to the first half of 1953 is accounted for by the decreased value of sales of manufactures to non-industrial areas. (p.57)

The most notable development in trade among the Continental European countries concerns Western Germany whose part in total intra-continental trade has increased substantially during the last four years. While in 1950 her share was 40 per cent, it became 45 per cent in the first half of 1953. (Her trade among Continental European countries before the war, in 1937, was 56 per cent.) In certain respects there has been a large shift in Germany's position since before the war. Her exports have risen much more to Continental destinations than to other parts of the world. While in 1937, 46 per cent of her total export value went to other Continental European countries, this share now stands at nearly 60 per cent. On the other hand Germany's share in Continental Western Europe's exports to other parts of the world was 32 per cent in 1937; while it has been rising in recent years, it stood at only 17 per cent in the first half of 1953. (p.58)

* Capital goods consist of machinery and transport equipment.
In 1953 the trade of the Eastern European countries with the rest of the world was lower than ever before. According to recent calculations the volume of trade between Eastern Europe and China on the one hand, and Western Europe (excluding Germany) on the other, in 1953 was about half that of 1938 as regards exports from the West, and 40 per cent as regards imports. (p.79)

The main feature of trade of the Eastern countries has been the vigorous development of commodity exchanges amongst them. The volume of this trade is estimated to have increased at least seven times from 1937 to 1951, and the share of intra-regional trade in total exports was estimated at 75 per cent in 1952. This development therefore further adds to the trend towards regionalization of trade since the war which has occurred elsewhere though on a much smaller scale. (p.80)

In contrast with the development of Eastern Europe's trade with the outside world, the trade of Mainland China is growing. Her share in the group's total imports almost doubled from 1952 to 1953 (first half in both years) and now exceeds one-quarter while her exports almost represent one-third of the total. (p.80)

Among the important trading nations Japan represents an outstanding exception by the fact that her trade deficit did not diminish in the course of 1953. Whereas many countries have managed to cut down their imports, the value of Japan's imports rose by one-fifth between 1952 and 1953, while the value of exports remained unchanged. The resulting deficit in 1953 has been without precedent and was of the order of $1,000 million - considerably more than twice the deficit of the preceding year. (p.80)

It seems most unlikely, the Report states, that import restrictions could offer a solution to Japan's balance of trade problem. Nearly nine-tenths of her imports consist of food and raw materials, and neither of these categories seems to permit curtailment ... Thus Japan has to rely on an expansion of exports to solve her problem. In 1953 (first half) these were at the rate of about $1,200 million per year. If the trade deficit is to be covered by exports, these would almost have to double. (p.81)

PART TWO

Barriers and Controls in International Trade. The Report points out that 1953 and the early months of 1954 have brought two important developments in governmental intervention in the flow of international trade. In the first place, a considerable number of quantitative restrictions on importation have been removed and in addition, many governments have loosened their controls on imports both by relaxing their licensing requirements and by increasing the amounts admitted under quota. This development is of special interest because it brings greater freedom for dollar trade as well as for the trade of soft currency countries. And secondly, in their drive to encourage export trade many governments are offering increased inducements and advantages to their exporters. (p.85)
Customs Tariffs. No great change took place in 1953 in the level or application of customs tariffs. During 1953 there were more increases of duty than reductions, but on the whole there appears to have been a less pronounced tendency to raise import charges than in the preceding periods, a tendency which seems to turn to a stronger protectionist trend since the first months of 1954. (p.85)

A large part of the customs tariffs of the thirty-four contracting parties to the GATT remains bound in the Schedules annexed to the Agreement and the assured life of all but one of these Schedules - the Brazilian - has been extended until 1 July 1955. The stabilization of tariffs was extended in 1953 by the decision of the Government of Japan to bind some 90 per cent of its import duties as part of the arrangement whereby the commercial relations between Japan and the majority of the contracting parties are now based on the General Agreement. (p.85)

The Report notes various tariff reductions, and certain tariff increases (sometimes imposed to diminish certain effects of the withdrawal of quantitative import restrictions). General tariff changes include the new tariffs introduced in Ecuador, Costa Rica and Turkey, while tariffs of Greece and Czechoslovakia were extensively adjusted. There has been a general tendency in the period under review to impose additional charges of one kind or another on imported goods and the Report cites instances in Bolivia, Uruguay, Turkey and France. Several governments have made provision for the levying of anti-dumping duties. The trend towards the removal of duties levied on exports has continued, an exception being the export duties on coffee.

Incentives for Exports. The Report reviews two types of measures intended to promote export trade, namely export subsidies (Turkey, United States, and Belgium) and direct export incentives. The direct incentive measures cover a wide range of governmental action including tax reimbursement or exemption, special credit facilities and export credit guarantees. (p.91)

Quantitative Restrictions. In 1953 significant progress was made in the development of policies directed towards the achievement of freer currencies and multilateral trade. The Report surveys the relaxation of import controls and the reduction of discrimination in their application, and draws attention to the changes in dollar import policy that a number of governments made early in 1954. The steps taken to liberalize trade by various countries in the sterling area and Western Europe are summarized. Some Latin American countries, however, have tightened their restrictions on imports in 1953 because of reduced earnings on exports. There is also a section on changes in export restrictions. (p.93)

Trade Agreements. The Report contains a survey, illustrated by examples, of the way in which trade between countries is regulated by bilateral agreements, affecting intra-European trade, East-West trade, trade between Europe and Latin America and the trade of Far Eastern countries with the rest of the world. (p.109)
PART THREE

The Activities of the Contracting Parties to the GATT. Part III recapitulates GATT developments in 1953-1954 - the prolongation of the assured life of the Schedules until July 1955, the study of the French plan for tariff reduction, relations with the European Coal and Steel Community, preference issues (in particular the waiver granted to the United Kingdom), Japan's association with GATT, consultations on quantitative restrictions, and the settlement of complaints.

The forthcoming Review of the Agreement. The end of 1954 will be a significant period in the history of the General Agreement for it is at that time that the Contracting Parties will undertake a review of its operation, the Report states. The Agreement is not merely the recording of the results of the tariff conferences, for the concessions would have little value if they were not accompanied by a series of provisions designed to protect them from being nullified by government action in other fields of commercial policy. This is why the Agreement contains rules for the use of import and export restrictions, national treatment on internal taxation, customs valuation and formalities, and also provisions on subsidies and state trading, in addition to the rule of most-favoured-nation treatment. These rules are so detailed as to require some special arrangement for their interpretation and application. But both the rules themselves and the arrangements for their administration have been provisional because at the time when they were devised it was intended to create a world trade organization whose charter would contain a code of trade rules to replace the special provisions of the GATT. Also, the organization would have provided the mechanism for the administration of the Agreement. This proposed world organization has not come into being and the GATT has operated during the last six years on a provisional basis with only a makeshift administrative machinery. This period has afforded, however, a valuable opportunity to test the provisions of the Agreement and to see how far they meet the actual needs of international trade. (p.128)

For these reasons the Contracting Parties decided at their Eighth Session to review the operation of the Agreement. The review will be based on the experience gained during these six years and is intended to enable the Contracting Parties to decide to what extent it is desirable to amend or supplement the existing provisions of the Agreement and what modifications should be made in the arrangements for its administration in order that it may contribute more effectively to early progress towards the attainment of its objectives. (p.129)

When the review takes place it is probable that one of the main considerations will be the rôle the GATT should play in the final liquidation of the postwar controls on trade. Since the decision was taken to review the Agreement, the reconsideration of economic policies, mentioned above, has advanced a long way. At the Sydney Conference in January 1954, the Commonwealth Finance Ministers reaffirmed the intention of their Governments to work through existing international organizations dealing with trade and finance. In their opinion,
the functions which the General Agreement and the International Monetary Fund perform will become even more important when moves to freer trade and currencies are concerted. In the United States, the President has formulated his proposals, based on the recommendations of the Randall Commission, on commercial and financial policies which envisage important functions for the General Agreement. And the governments in Western Europe are considering ways and means of speeding up the liberalization of their trade and payments. By the time the review of the Agreement takes place governments should be ready to participate in a careful re-examination of world trade policy, the Report concludes. (p.129)