
International Trade, 1955 is the fourth annual report prepared by the GATT secretariat.

The Report has three parts. Part One analyzes recent developments in the structure and pattern of international trade. Part Two examines Developments in Commercial Policy. Part Three sets out the principal activities of the Contracting Parties to the General Agreement during the period under review.

PART ONE

Recent Developments in the Structure and Pattern of International Trade

The following is a summary of some of the main conclusions.

1. In 1955 the value and the volume of international trade established new records.

   In the first half of the year, the value of world exports exceeded $80,000 million (at an annual rate), and in the second half it rose by a further $5,700 million, thus reaching a value which stood about 13 per cent above that of 1951.

   In terms of volume the increase of international trade was even more impressive, since export prices as a whole, though rising slowly since the

1 International Trade, 1955; 229 pages; available in English or French from United Nations Sales Agents; price $1.50 (or equivalent).
latter half of 1954, were nevertheless appreciably lower than in 1951. In the second half of 1955 the volume of world exports attained a level which exceeded that of 1951 by more than one-fifth (21 percent). (Page 1).

The increase in the volume of international trade during 1955 was not only a continuation of the growth which began in 1952; it also represented a further acceleration in the speed of its growth. Comparing 1953 with 1952, the volume of world exports rose by 4.3 per cent; comparing 1954 with 1953, by 6.4 per cent; comparing 1955 with 1954, by no less than 8.6 per cent.

This extraordinary increase in the volume of international trade has kept pace with the growth of the world's industrial production, which in 1955 stood nearly 10 per cent higher than in 1954. In relation to 1950 the 1955 volume of both world exports and world industrial production was 31-32 per cent larger.

2. There were three major developments in international trade in 1955:

(a) the rise in value of world exports in 1955 was again mainly accounted for by trade among industrial countries, while the relative importance of the non-industrial areas (both as suppliers to the industrial areas and as markets for their products) continued to decline;

(b) the increase in the export trade of the industrial countries in 1955 was shared by North America and by the other industrial areas; the revival of North America's exports was due largely to a growing dependence of Western Europe on supplies of raw materials and fuels from that source;

(c) in 1955, many industrial countries - in order to meet more severe competition on world markets by lowering their costs of production - relied more heavily on imports from the most economic sources of supply and - to that end - adopted more liberal import policies. (Page 3).

3. Taking the year 1955 as a whole, the value of world exports stood at about $83,300 million, as compared with $76,000 million in 1954 and about $72,000 million in 1953.

Both in 1954 and in 1955 the non-industrial and the industrial areas shared in the increase of world exports in the proportion of about 1 to 3. In both 1954 and 1955 this meant a further decline in the share of the non-industrial areas in world exports, from 37.9 per cent in 1953 to 37.2 per cent in 1954 and to 36.3 per cent in 1955. (Page 4).

The value of trade among the non-industrial countries continued to expand but slowly - even in 1955 it was far below the peak year of 1951. (Page 4).

4. In 1955, as in 1954, the increase in the value of international trade was mainly accounted for by trade among industrial countries ($4,100 million out of a total increase of $7,300 million), and the share of such trade in total world trade rose from 37.0 per cent in 1954 to 38.7 per cent in 1955. (Page 5).
5. Recent developments confirm the tendency for the share of trade between the industrial and non-industrial parts of the world to decline. This share, which had been 55.0 per cent in 1937, became 53.0 per cent in 1950 and fell to 50.7 per cent in 1955. This decline in the relative importance of trade between the industrial and non-industrial areas was due entirely to the development of exports from the latter and occurred in spite of a substantial improvement in the terms of trade between primary products and manufactured goods in favour of the former. (Page 5).

The Report examines in detail the main causes which contribute to the relative decline in the trade between industrial and non-industrial areas, under the following headings:

(a) the increase in the production of natural raw materials and fuels in the industrial areas themselves.

After examining the ratio between the consumption of raw materials and fuels and the gross value of manufacturing production in the industrial areas, (which fell from 25 per cent in 1938 to 19 per cent in 1952, and by 1955 dropped further to 17.5 per cent) the Report points out that the sharp reduction in the amount of natural raw materials imported into the industrial areas partly due to the expansion in the production of such commodities in the industrial areas themselves. (Pages 6-11).

(b) the effect of the increased production of manufactured raw materials on international trade.

The Report analyses the effect of developing the production in the industrial areas of manufactured substitutes for raw materials (including rayon, man-made fibres, aluminium, synthetic rubber, plastic materials and synthetic detergents). While the production of most of these substitutes started as the result of wartime scarcities, the rise in the relative price of natural raw materials has certainly contributed to the further growth of production since the war. If the production of these substitutes is considered as a whole, the rate of growth since 1950 has been about twice as rapid as that of manufacturing production.

Since the industrial areas rely on the non-industrial areas for a substantial part of their supply of natural raw materials, the growing substitution of manufactured raw materials is bound to have far-reaching effects on the export trade of the non-industrial countries. It is estimated (Page 13) that the import requirements of the industrial areas would have been roughly 40 per cent larger than the actual imports in 1955, if these substitutes had not existed. If, as may be expected - the Report states - the production of manufactured substitutes continues to grow at the expense of the natural products at the same rate as in recent years, the advantages reaped by the non-industrial areas from improved terms of trade may vanish rapidly and the export proceeds of these areas may diminish in absolute terms. (Pages 11-14).
(c) the effect of the relative decline of the textile industries in the industrial areas on trade between the industrial and non-industrial areas.

Another factor which contributes to the relative fall in exports of non-industrial areas to industrial areas is the relative decline of the textile industries as compared with other manufacturing industries in industrial areas. The production of the textile industries in industrial areas had by 1955 risen to 129 per cent of the 1938 volume, which was exactly half the level reached by all other manufacturing industries, namely 258 per cent of 1938. This loss in relative importance suffered by the textile industries, which continue to absorb a comparatively high input of raw materials per unit of output, has reduced substantially the demand for imports of raw materials - in particular imports from non-industrial areas. The Report estimates that if the production of textiles in industrial areas had risen since 1938 at the same rate as textile production in the world as a whole, the textile industries in industrial areas would in 1955 have imported about $500 million more of natural textile fibres from non-industrial countries. (Pages 14-15).

6. The extraordinary increase in the value of world exports from 1954 to 1955 by about $7,300 million was - as in 1954 - again mainly accounted for by exports to Western Europe. However, the most notable new development was the large share which North America had in the growth of world exports that occurred between 1954 and 1955 as compared with its modest part in the (smaller) growth during the preceding period. In 1955 the increase in exports from North America was mainly accounted for by higher exports to industrial destinations - about half due to trade between the United States and Canada, the remainder being characterized by a much more substantial increase to the European sterling area than occurred between 1953 and 1954. (Pages 15-17).

7. From such indications as are available it would appear that the disposal of agricultural surplus commodities has played a larger part in the increase of U.S. exports in 1955 than in 1954. Very roughly it may be estimated that shipments of this category amounted to about $1,000 million in 1955, as compared with about $340 million in 1954; and that in 1954 about three-quarters and in 1955 two-thirds went to industrial areas. From the point of view of balances of payments the significant fact is that the sales of surplus commodities do not call for actual payments in dollars, but for disbursements in the national currencies of the importing countries (or, in the event of barter contracts, for payment in strategic commodities). Hence the world's adverse trade balance vis-à-vis North America which in 1954 and 1955 was nearly the same - $2,148 and $2,150 million, respectively - actually corresponded to a smaller dollar deficit on merchandise account - $1,820 million in 1954 and $1,120 million in 1955.
This substantial improvement in the world's dollar position on merchandise account is, of course, not only due to the fact that North America's exports did not always call for the disbursement of dollars. It is also due to the fact that North America in 1955 increased its imports (which give rise to dollar earnings) by an amount even slightly larger than the increase in its total exports. In 1955 the total imports of North America from outside sources were $1,110 million larger than in 1954. This increase considerably exceeded the fall which occurred in 1954 as a result of the American recession. (Pages 17-20).

8. North America appears to have been losing recently some of its advantage over other exporters in the supply of capital goods. The Report concludes, following a substantial analysis of exports of machinery and transport equipment, in particular, that Western European countries are overcoming their competitive disadvantage as suppliers of capital goods and, to say the least, maintaining their position as suppliers of other manufactures. If these facts are considered in conjunction with the advance made by European exports of manufactures in the North American market, it seems that the apparent "dollar gap" on merchandise account is not so serious as trade returns may indicate. This conclusion is supported by an analysis of the effect which the "liberalisation" of imports from dollar sources by Western European countries has had in 1955 on the purchases of those countries from North America. (Pages 20-23).

9. In connection with the "liberalisation" of dollar imports in Western Europe a study has been made of the change in the value of imports from North America from the first three quarters of 1954 to the same period of 1955. The combined value of total imports by the eleven Western European countries show an increase by $3,600 million between the two periods. Nearly one-third - $1,130 million - of this increase was accounted for by imports from North America. In 1955 the total imports of the eleven western European countries from that source were 38 per cent higher than in 1954, while imports from all other sources (including imports from Western Europe) showed a rise of only 12 per cent.

The Report concludes that the large increase in Western Europe's imports from North America which occurred in 1955 does not appear to be directly related to the formal removal of import controls but rather to such factors as the peremptory need for raw materials, especially metals, and fuels due to the continued rise in economic activity in Western Europe. Finally, it may be - the Report states - that the decision to remove controls has been influenced by the desire to maintain competitiveness in exports by allowing imports to be made at the lowest possible prices. (Pages 23-26).

10. Since 1952 there has been a relative shrinkage in the non-industrial markets for manufactured goods (which, of course, mainly originate in the industrial countries). At a time when the available supply of manufactured goods for export became much more plentiful in industrial countries (in spite of the rising domestic demand), this trend led to a sharp intensification in the competition between industrial suppliers and to serious affects at reducing or containing costs of production. (Page 26).
11. The Report examines several aspects of the intensification of competition between industrial countries and the endeavour to lower costs of production.

(a) The result of "liberalisation" of imports, particularly in the removal of discrimination against dollar sources, has enabled the Europeans to pay more attention to price considerations and thereby improve their competitiveness. (Page 27).

(b) A number of industrial countries introduced during 1955 important measures of suspension or temporary reduction of import duties on raw materials and capital goods. The extent of the measures taken recently in these countries shows that the intensification of competition among industrial suppliers on world markets has led to a growing realization of the adverse effects of protection on costs of production. (Pages 27-28).

(c) Another result of the growing realization in the industrial countries of Europe of the need to cut down their export prices and, therefore, their costs of production, has been the relative decline of supplies from their overseas territories. The share of the overseas territories in the total imports of Continental Western Europe from non-industrial areas which had risen from 19 per cent in 1951 to 23 per cent in 1952, has since 1952 had a tendency to decline slowly. The Report examines the particular case of France on page 30.

12. The general commodity composition of international trade, which remained fairly constant from 1952 to 1954, showed a major change in the first half of 1955. Manufactures which in the earlier period had accounted for 46-47 per cent of the total value of exports increased to 49 per cent, while the share of primary products correspondingly fell from 53-54 per cent to 51 per cent.

The increase in trade in manufactures between the first halves of 1954 and 1955 was by 12 per cent (or $4,200 million at an annual rate), while trade in primary products rose by about 5 per cent (or $2,000 million). (Page 30).

13. The sharper increase in the value of trade in manufactures, as compared with primary products between 1954 and 1955 (first halves) has reflected itself in all major trade flows i.e. in exchanges among industrial countries, the trade of these countries with the non-industrial world, and also in trade within the industrial world. In all these cases, the increases affected principally semi-manufactures - mainly on account of chemicals and especially base metals. (Page 30-33).

14. The average price level of all commodities moving in international trade in 1955 showed only small fluctuations as compared with the preceding year. In both main categories i.e. primary products and manufactures, price levels were essentially unaltered. (Page 33).
15. Regarding the supply situation in 1955, three categories may be distinguished among products which are important in international trade:-

(a) supply situation characterized by large stocks: food products, cereals, sugar and coffee;

(b) supply situation with stocks at normal levels: rice, cocoa, tea, butter, tobacco, raw wool and certain oils and fats;

(c) supply definitely short: metals, solid fuels, rubber and olive oil. (Page 34).

The Report provides information about both the supply and trade position of the above commodities, as well as others not enumerated in the above list.

16. By far the largest price movements in 1955 took place in respect of non-ferrous metals. While the prices of tin and zinc rose by 17-25 per cent during the year and the price of lead increased somewhat less, the largest advance was made by copper. In London, the December 1955 quotations, which were nearly 60 per cent above the 1954 average, established an all-time record. (Page 38).

In 1955 world production of aluminium was only 9 per cent larger than in 1954. Since consumption in 1955 was at least 30 per cent higher both in Western Europe and the United States, the supply situation continues to be tight. (Page 39).

17. International trade in raw materials for steel making has shown a considerable rise in volume in the last few years. This expansion seems to be mainly due to the fact that the demand for both iron ore and scrap in Western Europe has grown faster than the supply in the area itself, which has necessitated larger imports from other sources.

Consumption of iron ore in Western Europe rose by about 17 per cent between the year 1954 and the first half of 1955 (at an annual rate) with a corresponding rise in output of only 10 per cent. This explains why the iron ore imports from non-European sources last year expanded significantly.

Consumption of scrap for steel making in Western European blast furnaces and steel works was in 1955 (first half at an annual rate) about 12 per cent larger than in 1954. All the main steel producing countries relied increasingly on imported scrap for replenishing their stocks. (Page 49).

Output of crude steel in the main producing countries - the United States, the European Coal and Steel Community, the United Kingdom and Japan - in 1955 amounted to about 188 million tons, which was about 37 million tons more than in 1954. But this sharp increase was not large enough to cope with an even stronger rise in demand both in the producing countries themselves and in countries which rely mainly on imports. In both cases larger steel imports were resorted to. The United Kingdom, for example, imported in 1955 three times as much as in 1954 with only a moderate increase in exports; and Western
Germany also imported substantially more last year, while exports were almost unchanged. (Page 50).

18. **International Trade in manufactured goods**, represented by exports of these products from North America, Western Europe and Japan, in the year 1954 amounted to about $31,000 million, about $2,000 million more than in either 1952 or 1953. The first six months of 1955 brought an even stronger increase, exports rising to an annual rate of $33,900 million, thus recording a rise by about 9 per cent over the first half of 1954. (Page 55).

The largest part ($2,100 million) of this increase was accounted for by Continental Western Europe, whose exports of manufactured goods rose by 15 per cent, followed by North America ($900 million or 9 per cent). The United Kingdom contributed only $260 million or 4 per cent while Japan's exports rose by $340 million, at the rate of 28 per cent. (Page 56).

The Report states that in appraising the significance of changes in the trade in manufactured goods, account must be taken of the extraordinary increase in the price of metals, while the export prices of manufactured goods taken as a whole have been at the same general level in 1955 (first half) as in 1954. This suggests that value movements as regards the changes since 1954, may be taken as indicative of volume changes only in respect of finished manufactures (i.e., capital and consumer goods), whereas a large part of the rise in the value of trade in semi-manufactures (among which the metals are included) must be ascribed to higher prices. (Page 57).

19. The world's textile trade situation in 1955 was generally characterized by marketing difficulties, especially as regards cotton textiles in the industrial areas.

Consumption of textile goods as a whole, both in Western Europe and in the United States, has not followed the rapid rise in income in those areas in the last few years and export possibilities to overseas markets have become more limited. At the same time a stronger competition mainly from exporting countries in Asia has made itself felt. A structural shift in the trade of Western Europe occurred in exchanges with the rest of the world, reflected in falling exports and increasing imports.

Production of textiles in Western Europe showed a slowing down in 1955, after a temporary revival in 1954. Only Western Germany and some of the smaller countries recorded increases. Output of textiles is lagging heavily behind manufacturing production as a whole. In Western Europe, for instance, total manufacturing output rose by 40 per cent between 1950 and the first half of 1955, but textile production increased by only 6 per cent. However, rayon textiles increased twice as much as cotton goods, whereas the wool industry actually produced somewhat less than five years earlier. By contrast with Western Europe, an increase in domestic demand brought a revival in the United States textile production in 1955. In India the increase was only slight, whereas in Japan there was a 5 per cent decline from the 1954 volume, the output being adjusted to a lower export level. (Page 61).
In an extended section on textiles the Report examines the important changes that have taken place as regards the direction and composition of this trade (Pages 61-63), and adds some detailed remarks covering recent developments of individual classes of textile products. (Pages 63-65).

20. The rising trend in the international market for passenger cars continued in 1955 (first half). The total value of exports rose by 30 per cent since 1954. While all major areas participated in this increase, it was largest (45 per cent) in North America, nearly as large (38 per cent) in Continental Western Europe, but much smaller (only 9 per cent) in the United Kingdom. (Page 65).

The proportion of output exported can only be judged in terms of numbers of vehicles. While in North America, exports accounted for only 3 per cent of production, the corresponding figures were much higher in Western Europe, with Germany and the United Kingdom heading the list with 44 and 42 per cent, respectively. Moreover, the proportion of output exported has been rising since 1953 in Germany, France and Italy, whereas in the United Kingdom it fell. In 1955 the domestic market in the United Kingdom absorbed nearly 30 per cent more cars than in 1954, but the number exported rose by only 2 per cent. (Page 67).

The Report also examines in more detail exports of British, German and French cars in 1955, as well as the increasing proportion of cars traded within the industrial world. (Page 67).

21. The value of capital goods exported from the industrial areas to all destinations rose from $10,800 million to $11,600 million (at an annual rate) between the first halves of 1954 and 1955. This rise was, however, unevenly shared by the exporting areas. By far the largest increase (by $500 million) occurred in the exports of Continental Western Europe, which thereby further accentuated its lead over North America, the European sterling area and Japan - in that order.

Of the total increase by $800 million in the exports of capital goods, only $300 million went to non-industrial areas. (Page 68).

The tendency for North America gradually to lose ground to Western Europe as a supplier of machinery to Latin America, which had manifested itself in the years 1951-1953, has continued both in 1954 and the first half of 1955. It is noteworthy that Japan has made some progress in exports to Latin America in the last few years. (Page 69).

For the first time since 1952 the increase in the exports of capital goods was mainly accounted for by machinery. The Report provides illustrations of recent developments in machinery trade under such headings as metal working and other heavy industrial machinery, agricultural machinery and tractors, textile machinery, office machinery and electrical machinery. (Pages 70-71).
The supply of non-ferrous metals

The Report, in examining the trade of industrial areas gives a close examination of the supply of non-ferrous metals.

Comparing 1923-30 with 1955 the world production of crude steel (excluding the USSR) has about doubled - rising from 106 million tons in 1923-30 to about 220 million tons in 1955. During the same period the world output of non-ferrous metals has risen in similar proportions - from about 4.2 million tons (copper equivalent) in 1923-30 to roughly 8.3 million tons in 1955. However, the contribution of the various metals to this increase has not been uniform. The rise in world output of non-ferrous metals has left lead and tin practically unaffected. In 1955 their combined production was essentially the same as in 1923-30. Between 1923-30 and 1955 the world production of both copper and zinc rose by about two-thirds, and that of aluminium increased tenfold. In other words, 60 per cent of the total increase in the world's output (and consumption) of non-ferrous metals consisted of aluminium and the remaining 40 per cent mainly of copper (27 per cent) and zinc (13 per cent). (Pages 80-81).

The key role of aluminium in meeting the world's requirements for non-ferrous metals is obviously fundamental, since it has to a certain extent already taken the place of other non-ferrous metals and there are ample opportunities for further substitution. (Page 81).

The development of aluminium production has been much faster in North America than in the rest of the world. In 1955 North America's production was about ten times, and that in the rest of the world about twice as large as in 1938. By contrast the production of the older non-ferrous metals has in North America hardly risen since 1929, whereas in other parts of the world it was in 1955 half again as large as in 1929. (Page 81).

In the course of 1955 two important features became apparent. In the first place North America's imports of non-ferrous metals from all outside sources did not rise until mid-year, even in volume, above the relatively low level of 1954, but in the second half those imports underwent a substantial increase. Secondly, the volume of North America's exports to Western Europe tended to decrease in the second half. Both these developments follow, of course, directly from the resumption of industrial growth in North America. (Page 83).

If industrial production (and investment) in North America and Western Europe is to increase in 1956 at the same annual rate as has obtained since 1948, the combined needs of these areas for metals would rise by about 10-11
million tons for crude steel and bars about 450,000 - 500,000 tons for non-ferrous metals (including aluminium). These requirements would be met if the production of non-ferrous metals continued to increase at the same rate as in recent years, i.e. by 5 per cent per annum (or about 190,000 tons) in respect of the older non-ferrous metals outside North America and by about 11 and 1½ per cent in respect of aluminium in Western Europe and North America, respectively, amounting to 290,000 tons. However, other areas, including Japan, Latin America, Oceania and India, also consume increasing quantities of steel and other metals. In 1954, the steel consumption of these areas was about 25 million tons, and it seems to be rising at the rate of 1½ - 2 million tons per year. While the consumption of non-ferrous metals in these areas is difficult to estimate with any degree of precision, it would seem probable that it will increase by a substantial amount. (Page 84).

**World supply in respect of non-ferrous metals seems to be barely sufficient to meet the probable requirements of the industrial areas, but does not leave much to satisfy the demand in the other areas or any additional demand which might result from a higher rate of increase in the world's industrial activity. (Page 84).**

Reappearance of Germany and Japan as main exporting countries

The development up to 1955 has been characterized by a further growth in the share of Germany and Japan in the total exports of the main industrial exporting nations. The share of Germany and Japan together reached 15½ per cent (11½ and 4 per cent respectively). This increase in relative importance took place not only at the expense of North America but also of the United Kingdom (their 1955 shares were 34 and 16 per cent, respectively), while Continental Western Europe as a group were able to hold their ground; between 1950 and 1955 their share remained practically constant at 35 per cent. (Pages 37-89).

The development from 1950 to 1955 can be characterized briefly as follows:

1. **Germany's gains** were largest in Western European markets and in Latin America, but were substantial in all other areas, including North America; one conspicuous feature of her advance is its remarkable continuity.

2. **Japan** has met with much greater difficulties in recovering her rôle as a major exporter, and the development in her position has been characterized by considerable year to year changes in her share in exports in practically all areas. Her progress has been particularly marked in exports to the "Rest of the World" and the overseas sterling area, and her gains in the North American market have also been substantial, especially in 1955. (Page 89).
Comparing 1954 with 1928, the Report indicates that, taken together, Germany and Japan in 1954 had not yet recaptured the relative importance they had in 1928 for exports to all destinations.

Where Germany and Japan had in 1954 approximately the same relative importance as in 1923, significant shifts have occurred in the shares of the other industrial suppliers. (Page 90).

Comparing 1954 with 1950, the comeback of Germany and Japan had in most cases been at the expense of the United States and the three larger European countries - the United Kingdom, France and Italy. (Page 90).

The reappearance of Germany and Japan in world markets has not yet restored the prewar importance of these countries as major exporting nations. On the other hand, the shifts in the position of other exporting countries, which have accompanied their comeback have been considerable. The major losers have been the United States and the United Kingdom, whereas the smaller European countries have successfully maintained their position. (Page 92).

These developments seem to suggest that the smaller European countries have a distinct competitive advantage over their larger competitors in Europe. And it seems reasonable to think that this advantage is related to the fact that each of the small countries depends more heavily on exports of certain specialized products than is the case of the larger European countries whose production and exports are more diversified. This specialization enables these smaller countries to import from the cheapest sources of supply a wide range of commodities which they are not attempting to produce, and thereby to maintain comparatively low costs of production for exporting goods in which they specialize. (Page 92).

(The Report also examines in some detail, on pages 93-96, the trade position of Japan, the development of Japanese exports and the balance of trade.)

The Low Level of the Export Surplus of the Non-Industrial Areas

The trade of the non-industrial areas in 1955 again failed to expand at the same rate as the total value of international trade. While the value of exports of the industrial areas rose by about 11.1 per cent as between 1954 and 1955, the rate of growth in exports experienced by the non-industrial areas was substantially lower - about 6.9 per cent. As a result, their share in the value of world exports decreased from 37 to 36 per cent. (Page 96).

While the recent growth of exports from the non-industrial areas represented an acceleration of the movement which had occurred between 1953 and 1954, imports have risen at about the same annual rate since 1953.
As a result, the non-industrial areas taken together have recorded an increase in their export surplus from $360 million in 1954 to $600 million in 1955. In spite of this rise, however, the export surplus was only one-third of what it had been in both 1951 and 1953 and represented less than 2 per cent of the total value of exports, thus allowing only very little leeway for any further expansion of imports in the absence of higher export earnings. (Page 96)

The Impact of Economic Development on the Trade of the Non-Industrial Areas

Since the outlook for substantial improvement in the terms of trade for primary producing regions is uncertain, in view of the rapid growth of manufactured substitutes for raw materials (see paragraph 5 above), the future course of the volume of exports from the non-industrial areas assumes crucial significance.

The participation of the non-industrial areas in world trade depends not only on their ability to produce primary commodities efficiently, but also in adequate quantities to meet both the external and the domestic demand which is growing as a result of the changing structure of the non-industrial economies.

After examining how the reliance of non-industrial areas on imports of various commodities has changed since before the war, the Report points out the different tendencies which are at work as between food, manufactured consumer goods and commodities more directly related to investment and development. The Report concludes that the importance of maintaining a proper balance between the production of primary products for exports and for domestic use cannot be overemphasized. (Pages 96-104)

Growing Importance of the USSR, Eastern Europe and Mainland China in World Trade

After examining the upward trend in the commercial exchange of the USSR, Eastern Europe and mainland China with the outside world, the Report points out that the rate of growth in this trade was nearly the same as the rate of growth experienced by the industrial areas of the Western world between 1954 and 1955. However, the value of trade of the Eastern countries was not as large as could have been expected on the basis of the trade agreements contracted with other countries during recent years. In spite of its recent increase, the value of trade in 1955 between the USSR, Eastern Europe, on the one hand, and the Western world, on the other, was not higher than the value of either Australia's or Sweden's trade in 1955. (Pages 129-130)
In view of the growing importance of the USSR, Eastern Europe and mainland China in world trade, the Report examines some of the factors which have contributed to this trend and assesses the prospects of the trade of the USSR and Eastern Europe with the rest of the world. (Page 138).

During 1955 there was a significant increase both in the exports and in the imports of USSR and Eastern Europe and their trade position vis-a-vis the rest of the world improved considerably as there occurred an apparent export surplus (amounting to about one tenth of the value of their total imports) as compared with an almost balanced trade in the preceding year; with the exception of Japan and the overseas sterling area, USSR and Eastern Europe had a trade surplus with all major trading groups. Mainland China, too, had a substantial export surplus in 1955 (as in 1954) since her imports have only been able to grow very slowly in view of the restrictions still maintained on exports to mainland China. (Page 138).

As a result of the reorientation of the commercial policy of the Eastern European countries, the composition of their exports has undergone a significant shift in favour of manufactures, the share of which amounted to approximately 35 per cent in exports to the industrial areas in 1955 (as compared with about 25 per cent in 1954) and to a substantially higher figure in exports to the non-industrial areas. This increase in the exports of manufactures was mainly due to the supply of capital goods which the Eastern European countries, thanks to the priority given to heavy industry, have been in a position to supply in increasing quantities. They now appear to be able to ship capital equipment and semi-manufactures as readily as the industrial countries of the Western world. (Page 139).

The Report states that the countries in Eastern Europe may have a competitive advantage in the supply of capital goods over the major Western industrial countries as a result of a more advanced technical integration in the form of exchange of designs etc. within the area and the specialization that has occurred in the various countries of the area. For instance, Czechoslovakia has increasingly concentrated on the exports of machine-tools, power plants and motor vehicles; East Germany has specialized on electrical machinery and precision instruments; Hungary on barges, diesel locomotives and electrical appliances; Poland is offering railway rolling stock, mining equipment and power machinery, while Rumania sends oil drilling equipment, pipes and tubes. (Page 140).

Another factor which has facilitated the conclusion of bilateral trade agreements with the non-industrial countries (apart from provisions for reciprocal credit, terms for deferred payment and technical aid) has been the readiness of the Eastern European countries to accept payment for their deliveries in kind over a number of years. They are prepared to buy important amounts of raw materials and foodstuffs which in certain cases would have been difficult to dispose of in world markets; they are ready to enter into commitments both as regards prices and qualities. (The Report gives examples on pages 140-141).
On the other hand, the sporadic nature of the exports of certain commodities to the USSR, Eastern Europe and mainland China and the rapid transfer of orders placed by those countries from one source of supply to another do not seem to give to the non-industrial countries the kind of stability which seems to them essential for their economic development. (Page 140).

PART TWO

DEVELOPMENTS IN COMMERICAL POLICY

Customs Tariffs

The Report states that "the revision of customs tariffs - their modernization, the adoption of an improved nomenclature, the upward and downward adjustment of protective duties, changes in fiscal tariffs - has continued in 1955, but, so far as can be seen, without greatly altering the general level of tariff rates." (Page 144).

Under the heading of tariff reforms the Report refers to the introduction by France of the standard nomenclature approved in 1955 by the Customs Cooperation Council in Brussels, as well as to tariff revisions which have taken place or are being considered by Austria, Denmark, the Federal Republic of Germany, Italy, Brazil, Mexico, Honduras, Nicaragua, Haiti, Iraq, Philippines and Taiwan. (Pages 144–146).

Referring to the reduction of import duties the Report gives examples of "numerous cases in which the tariff rates on specified raw materials and semifinished products have been reduced or suspended to assist industry generally". (Page 146). Further examples are given of countries which "allow importation of raw materials, machinery, etc. at reduced rates of duty free when destined for particular industries, especially those newly established." (Page 147). Reductions of tariffs to assist the farming population; for social reasons and for educational material, and reductions resulting from tariff negotiations are also listed.

Turning to the increase of import duties the Report states that the tendency, noted in 1954, to provide higher protection for the textile industry persisted in 1955 and gives instances of duty increases to protect other industries, such as dyes, chinaware, bicycles and watches. (Page 149).

On the subject of consular formalities, "the most important change in 1955 was the suppression in October by the United States of the requirements that certain imports must be accompanied by consular visas." (Page 155).

It is also noted that on 20 November 1955 the International Convention to facilitate the Importation of Commercial Samples and Advertising Material, drafted by the Contracting Parties to GATT, entered into force and has now been accepted by eighteen governments. (Page 156).
Quantitative Restrictions

"In 1953 and 1954 the western world witnessed considerable progress in the direction of freer trade. The freer pattern of trade and payments that emerged was maintained during 1955 ... The gold and dollar holdings of countries outside the dollar area continued to grow in 1955 but at a slower rate than in the two preceding years." (Page 156).

"Most of the important trading nations maintained in 1955 the gains already made in the relaxation of their restrictions or in the elimination of discrimination. In a number of cases, further measures of relaxation were taken through the establishment of new or the extension of existing lists of products admitted free of licensing restriction", the Report states. (Page 154).

"In recent years there has been an encouraging tendency for countries faced with balance-of-payments difficulties to seek solutions through measures other than the introduction or intensification of restrictions on trade. This tendency has developed as more and more countries have been convinced that import restrictions cannot in themselves provide a satisfactory solution to balance-of-payments difficulties and that, at most, they may prevent a further deterioration in a country's reserve position pending the adoption of a fundamental corrective remedy." (Page 157).

"If the more restrained use that has been made, in the past year, of restrictive measures is encouraging, there is little ground for complacency", the Report concludes; "for a substantial part of world trade remains under licensing control or quota restriction, often involving discrimination. Only in the dollar area are imports generally free from such impediments."(Page 158).

Bilateral Trade Arrangements

"While there has been little reduction in recent years in the number of bilateral trade agreements", the Report states that "the character of these agreements has undergone some fundamental changes ... Comparatively few of the bilateral trade agreements now in force have been designed to balance the total trade between the partners, as was the case in the earlier post-war years. But in 1955 a number of agreements covering the whole range of trade between the partners were negotiated, principally by Eastern European countries and China. The effects of this new development, however, are not yet clear," (Page 173).

Commenting on this development the Report states "the year 1955 will be remembered as one in which the USSR and other East European countries began to apply a more active trade policy in Asia, the Middle East and Latin America. This reorientation of policy was marked by trade agreements concluded with various countries in those regions, in many cases accompanied by arrangements on technical aid and long-term arrangements for repayment in kind or credits for capital goods." (Page 177).
Export Promotion

The Report examines this topic under three headings: subsidies, export incentive schemes and programmes for disposal of surplus stocks. "In 1955 there was no substantial increase either in the level or in the scope of direct export subsidies. Many governments .... afford export incentives in various forms, but during 1955 some measures, such as currency retention schemes and taxation refunds, were in some cases eliminated or their effect reduced." (Page 178). On the subject of subsidies the Report states that there does not seem to have been a general extension of measures in this field in the period under review. Referring to export incentive schemes of various types the Report states that it appears that the member countries of OEEC have complied with the OEEC decision (January 1955) to abolish such incentives, with the exception of France, which still maintains various measures and Denmark which still operates a dollar incentive scheme. (Page 180). On the subject of disposal of surpluses the Report describes briefly the measures of disposal which have been taken by certain countries in the period under review: Canada (butter, wheat); France (wheat); United States (wheat, feed-grains, cotton, tobacco, edible oils, fats, rice). (Pages 182-184).

PART THREE

ACTIVITIES OF THE CONTRACTING PARTIES TO THE GATT

This part of the Report provides a survey of the work of the Contracting Parties in the period under review, in particular the business completed at their Tenth Session, 27 October - 3 December 1955. The Report notes that they have an increasing volume of business requiring attention at their annual sessions and altogether some forty-five items were dealt with at the Tenth Session. The agenda included the formulation of procedures for the 1956 Tariff Conference, the annual consultations on the discriminatory use of quantitative restrictions, commodity arrangements and the disposal of surplus stocks; in addition there were reports on waivers granted to contracting parties and the settlement of differences concerning the interpretation of rights and obligations under the GATT. Each of these matters is set out in some detail in the Report.

On the subject of quantitative restrictions the Report notes that twenty-five of the thirty-five contracting parties still maintain quantitative restrictions for balance-of-payments reasons, and twenty-three of these are applying their restrictions in a manner which discriminates among sources of supply, as permitted under the terms of the Agreement during a transitional period (Page 187).
In connexion with the 1955 consultations on discrimination it is stated that "many countries continue to negotiate bilateral agreements for the exchange of products, thus preventing the full play of competitive factors in the selection of sources of supply. Many agreements are renewed from year to year as a means of maintaining favoured markets for particular exports or of preventing competitive forces from bringing about a decline in the prices of these exports. A substantial part of the trade between certain West European countries and many countries of Latin America and also some in Asia, as well as part of the non-liberalized portion of intra-European trade, is still governed by bilateral trade agreements." (Page 189).

Regarding the settlement of differences between governments concerning their rights and obligations under the GATT the Report notes that at the Tenth Session eleven complaint items appeared on the agenda; five of these were settled and withdrawn; two complaints were left under discussion between the parties concerned and may be brought forward again; in three cases the countries against which complaints were lodged have undertaken to abrogate or amend the relevant laws or regulations; and in one case the complaint was upheld and a measure of compensation was authorized. It was not necessary, as it had been in some previous years, to appoint a panel to examine complaints (Pages 197-199).

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