Each year since 1953 the secretariat to the Contracting Parties to the GATT has published a report on developments in international trade and commercial policy. The last report, International Trade 1956, was issued in June 1957. This year the secretariat has not been able to prepare a survey of the structure and pattern of international trade, which usually comprises Part I of the annual report, as it has been engaged during a large part of 1958 in assisting a panel of economists in the preparation of their report entitled Trends in International Trade, which was published early in October 1958. Commercial Policy 1957 is therefore limited to a survey of developments in commercial policy and a description of the work of the Contracting Parties, which usually comprise Parts II and III of the annual report.
PART I

Barriers and Controls in International Trade

(a) Customs Tariffs

The Report states that: "during the period under review there was no significant change in the overall level of tariff protection and tariff measures mainly concerned nomenclature reforms or specific rates. A certain number of developing countries, however, paid great attention to the customs tariff as a normal measure for protecting their industries and in some cases introduced new tariffs based on a more modern nomenclature. Moreover, the ground was laid in the period under review for substantial tariff changes in the near future by the establishment of the European Economic Community. Significant developments may also follow from the discussions in the OEEC relating to the European free-trade area and the studies concerning the creation of a regional market in Latin America." (page 1)

The Report surveys the tariff reforms which have been undertaken in various countries; customs unions and preferences; reductions of individual import duties; increases of individual import duties; anti-dumping duties; other charges on imports; export duties; and customs formalities.

(b) Quantitative Restrictions

The Report notes that: "during the four years from the beginning of 1953 to the end of 1956 the payments situation of the world improved steadily; the aggregate gold and dollar reserves held by countries outside the United States increased at an average annual rate of $2,000 million, acquired principally from transactions with the United States. This situation ceased to recur last year. In 1957, the aggregate reserves of these countries would have fallen by some $250 million had it not been for net drawings amounting to $300 million, on the resources of the International Monetary Fund. The resulting increase of some $650 million in the aggregate reserves of these countries was far below the exceptionally high rates of increase in preceding years. The increase in their reserves was, however, resumed in the last quarter of 1957. Official gold and liquid dollar holdings of these countries rose by some $160 million in that quarter as the result of transactions with the United States, followed by a further rise of $450 million in the first quarter of 1958...... (page 24)

"...Towards the end of 1957 there were signs of a levelling-off of expansion of production and income in most industrial countries, particularly in the United States where the up-swing gave way to a recession which continued into 1958. Though the industrial countries have not felt the impact of the United States recession on their trade or economic activity, a general sense of caution has set in.

"Up to 1955 the increase in gold and dollar reserves outside the United States had been fairly evenly shared. In 1956, however, the increase was concentrated in a few countries. For the reasons given above, this trend was further accentuated in 1957. While aggregate gold and dollar reserves increased, some countries, notably Germany and Venezuela, reaped sizeable gains in their reserves, but in others significant declines were registered.
"Despite this background some further progress was made in the past year in the direction of freer trade. Such steps as were taken were, however, generally limited to the consolidation of earlier progress and the reduction in discriminatory features of import restrictions rather than their general level. Most noteworthy has been the increasingly general awareness of the limited value and negative nature of restrictive and discriminatory measures; the necessity to adjust domestic economic policies and programmes in line both with available resources and the external economic atmosphere has been more widely recognized. Even in those few cases where use was made of new import restrictions on balance-of-payments grounds such restrictions were not exclusively relied upon but rather regarded as a supplement to, or a part of, general programmes of stabilization aimed at restoring equilibrium through measures in the internal monetary and fiscal domain." (page 25)

The Report surveys the changes in the use of quantitative restrictions in the Sterling Area, Continental Western Europe, Latin America, and in other countries. The conclusion is drawn that "taking the world as a whole, no major change appears to have taken place in 1957 in the use of quantitative import restrictions. Western European countries were generally preoccupied with the setting up of the European Economic Community and the negotiations for a free-trade area, and in view of the recessional tendencies in North America, were scarcely prepared to take momentous steps in dismantling the remaining fraction of the restrictions. Further, the scope of the restrictions in many of these countries has been reduced to an extent where further liberalization has become increasingly difficult for economic and social reasons. This is particularly true of the restrictions remaining on agricultural imports.

"Outside Europe, some countries, e.g. Australia, the Union of South Africa and the Federation of Rhodesia and Nyasaland were able to relax their import controls, while others, e.g. India, Japan and New Zealand, did not succeed in avoiding the use of intensified restrictions.

"In Latin America, up to the first half of 1958, the more flexible regimes of import and exchange controls that had been evolved in preceding years were maintained, though future prospects in this regard would seem to depend heavily on developments in the commodity markets and in capital movements. The more widespread use and increased reliance on advance deposits connected with the licensing of imports also reflects the general recognition of the close relationship between excess internal liquidity and disequilibrium in the balance of payments." (page 35)

(c) Bilateral Trade Agreements

"During 1957 and the early months of 1958 several countries in Western Europe extended the area of transferability of their currencies to cover a larger number of non-European Payments Union countries outside the dollar area. As a consequence, a considerable number of bilateral payments arrangements were allowed to lapse, payments being placed on a transferable currency basis. The consequent diminution of the need for countries to achieve bilateral balance with individual trading partners has so far not been generally reflected in the pattern, as opposed to the content, of bilateral trade arrangements. Some countries have been reluctant to relinquish their resort to trade agreements.
because they still see in them a means of maintaining a desirable composition of their export trade and sometimes of preventing a decline in the prices of their export commodities. On the whole, however, there was a reduction in the use of bilateral arrangements. Some trade agreements were allowed to lapse while a large number were renegotiated and put on a more flexible basis.

"The revision of bilateral agreements in the past year often involved the elimination of bilateral quotas or a reduction in their number. Sometimes it was agreed to extend, on a reciprocal basis, the benefit of moves toward liberalization and non-discrimination such as the application of OEEC free lists or "global" quotas open to a number of countries. To this extent the principle of non-discriminatory treatment for imports requiring payment in the same currency or mutually transferable currencies has been given fuller expression." (page 36)

In surveying changes in the pattern of bilateral trade arrangements in various areas of the world, the Report notes that "trade among the USSR and other Eastern European countries and mainland China is governed by extensive trade agreements which are often supplemented by credit and technical assistance arrangements. Practically all these agreements are strictly bilateral and, although provision for settlement in cash, or in gold, sometimes appear in them, the actual settlement of balances, usually after the expiration of a one-year agreement, is almost invariably made by means of additional deliveries of goods. Quotas are mostly expressed in rubles though bargaining about prices is often in terms of free market sterling or dollars. In 1957 the Council for Mutual Economic Assistance (Comecon) which comprises the USSR and the other Eastern European countries instituted an arrangement for the voluntary multilateral compensating of bilateral balances among member countries. It is as yet premature to speculate on the effects of these arrangements on the trade between these state-trading countries.

"In accordance with a recommendation by the Comecon, the state-trading countries have in recent years been following a policy of progressively replacing the one-year trade agreements between them by longer term arrangements which are considered to be better suited to their planned economies. These agreements cover periods extending from three to five years and contain lists of commodities to be exchanged as well as targets of trade. Detailed quota lists are negotiated each year and laid down in trade protocols. A large network of such arrangements are now in force among the Eastern European countries.

"A similar trend has become noticeable in the bilateral agreements which the Eastern European state-trading countries maintain with countries outside the area. During the period under review, for example, the USSR concluded three-year or four-year trade agreements with Austria, France, the Federal Republic of Germany and Italy, which contemplate significant increases in the volume of trade. These agreements specify the commodities in which trade is to take place and set a target for the total exchange of goods; they also provide for the annual negotiation of quota lists." (pages 43 - 44)
(d) Export Promotion

"Recent years have witnessed a return to world marketing conditions in which buyer's choice is a more active force, with the result that there has been intensified competition among sellers. Hence export promotion techniques have assumed an increasing significance in international trading relations. The need for certain export promotion techniques, particularly export credit and export credit insurance, has also been increased because of the reduced scope of soft currency financing through bilateral agreements with swing credit provisions. Although there are a variety of special facilities provided by governments, financial and otherwise, which have the effect of promoting exports, it is convenient", the Report states, "to classify them under the broad headings of subsidies, export incentives and programmes for the disposal of surplus stocks.

"Most subsidies are applied to domestic production and only incidentally have the effect of increasing exports. During 1957, however, there was some evidence of a tendency of increased resort to outright export subsidies. With the exception of some countries in the Far East there was no general extension of such export incentives as currency retention or import entitlement schemes. The deterioration in world economic conditions during 1957 led to somewhat more stress being placed on trade financing facilities, through the provision of longer-term deferred-payment credits for exports, particularly of capital goods to under-developed countries, and an increased flexibility in the administration of export credit guarantee schemes covering risks involved for exporters.

"In Latin America, many countries still maintain multiple currency arrangements which are designed to assist exports of certain products, and during 1957 there were some modifications to the systems in force. In Asia intensified efforts have been made in the indirect field of export promotion, such as grading, trade publicity and the organization of trade conferences and fairs.

"The existence and accumulation of surpluses of agricultural commodities in both exporting countries and former non-importing countries, as a consequence of the continued maintenance of price support and guarantee schemes has led, inter alia, to considerable price uncertainty for the commodities concerned. Arrangements for their disposal during 1957 continued to influence the terms of competition in world markets for these goods and have resulted in the development of trading techniques which have assumed considerable importance in view of the magnitude of trade involved." (page 46)

On the question of subsidies for promoting exports, the Report concludes that, on the basis of information notified during 1957 by the contracting parties to GATT, under the terms of Article XVI, "no major changes have occurred in the past year in the policy of government subsidization of domestic production, although some adjustments have been made in the products benefitting and in the amounts of subsidy granted. There is, however, some evidence of a tendency for increased resort to outright export subsidies, particularly of agricultural products. Most of the subsidies on production or export described in the earlier annual GATT reports on international trade were still being applied." (page 47)
Regarding disposal of surpluses, the Report notes that "in many countries the continued maintenance of internal prices, by various support measures, at levels substantially above those prevailing on world markets has encouraged increased indigenous production and has contributed to the accumulation of excessive surpluses in some exporting countries, particularly in North America. The existence of large surpluses of any commodity leads to considerable price uncertainty and gives rise to concern in world markets. Efforts to find outlets for these surpluses on world markets without causing undue interference to normal commercial transactions have become more pronounced in recent years and have resulted in the development of trading techniques which have assumed considerable importance in view of the magnitude of trade involved." (page 52)

PART II

Recent Activities of the Contracting Parties

"During the period under review - June 1957 to June 1958 - the activities of the Contracting Parties were dominated by several major developments in the trade field. Of greatest significance were the ratification of the Rome Treaty establishing the European Economic Community and the continuation of negotiations looking towards a free-trade area comprising seventeen countries in Western Europe. The attention of the Contracting Parties was also directed to recent trends in international trade which have led to difficulties for countries dependent upon the export of primary products and growing problems for the less-developed countries in maintaining and increasing their export proceeds in order to meet their priority import needs. The provisions of the Rome Treaty and trends in international trade were the principal subjects discussed at the Twelfth Session in October-November 1957 and at a broadly representative meeting of Trade Ministers which was held during the Session. The Contracting Parties set up a panel of experts, to carry out a factual investigation of recent trends in, and prospects for, international trade to serve as a basis for further consideration of the issues involved. A third important activity in the period under review was a general round of consultations on the import restrictions still maintained by contracting parties for balance-of-payments reasons. Arrangements were also made for carrying out the review of import restrictions agreed upon in the review of the General Agreement in 1955. This review will be completed at the Thirteenth Session and thereafter the programme of annual consultations will begin in 1959." (page 57)

The Report goes on to describe the work of the Contracting Parties under the following headings: European Economic Community, Trends in International Trade, Quantitative Import Restrictions, Settlement of Differences, and Other Questions.