International Trade 1957-58 is the sixth annual report prepared by the GATT secretariat.

The Report has three parts. Part One analyses 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 1958 and gives an account of the main results of the fourteenth session held in Geneva in May 1959. The Report further contains extensive statistical material in the form of network tables on international trade broken down by various commodity groups and trading areas.

Background

Since 1953 the secretariat to the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade has published each year (except for the year 1957) a report on developments in international trade and commercial policy and on the activities of the CONTRACTING PARTIES. In 1958 the secretariat was engaged in assisting the panel of economists to prepare their report entitled "Trends in International Trade". In order to bridge the gap since the publication of International Trade 1956, the latest volume in the series, International Trade 1957-58 analyses in Part One the main changes in the structure and development of international trade over a two-year period.

1 International Trade 1957-58: available in English or French from United Nations Sales Agents (Sales No. GATT/1959-3); price $2.00 (or equivalent).
PART ONE

Recent Developments in the Structure and Pattern of International Trade

The following is a summary of the main conclusions:

1. After exceeding $100,000 million - an all time high - in 1957, the value of world exports (excluding United States "special categories") dropped sharply, by about 6 per cent, in the first half of 1958, but recovered nearly half of that loss in the second half of that year. (Page 5).

The volume of world exports in the second half of 1958 established a new record - even exceeding, if only by a fraction, the preceding peak which was reached in the second half of 1957.

2. The volume of world production of commodities (including agriculture, manufacturing and mining), after a substantial (about 3½ per cent) dip in the first half of 1958, also exceeded, in the second half, the preceding maximum level which had been attained in the latter half of 1957.

In the movements of international trade and of world output, the role played by the United States, now (but not before the war) the largest trading nation, has been predominant in post-war years. From about 30 per cent of world production (excluding Eastern Europe, the USSR and mainland China) and about 11 per cent of world exports in 1938, the share of the United States rose to 44 and 24 per cent in 1948, in world output and trade respectively. But by 1954 the relative importance of the United States had dropped back to 40½ per cent in world production and 16½ per cent in world exports. (Page 5).

3. Now that matters can be seen in a longer perspective, it may well be repeated that Western Europe's and indeed the world's dollar problem began to vanish at about that time. Such rather substantial increase in the United States share of world exports as has occurred since, hardly created any dollar problem because a considerable part of the increase in United States exports did not require payment in United States currency.

4. In world production, on the other hand, the United States has been steadily losing in relative importance ever since 1948 - first until about 1956 because output elsewhere was rising faster (partly, of course, as a result of United States aid in reconstruction and development), and then, in 1957 and 1958, because United States production has practically remained unchanged, with some fluctuation reflecting the recent recession, while production in other parts of the world maintained its steady upward movement, if at a somewhat lower rate. (Page 8).
5. However, United States production, though rising less fast than in the rest of the world, still stands higher in relation to world commodity output than immediately before the war. On the other hand, the volume of United States exports has also been moving at a much higher level, representing a much larger proportion of the world total than in 1938.

6. It may briefly be concluded that:

(a) In both world production and world trade, the United States has since the war occupied a larger position than in 1938;

(b) However, conditions in the world outside the United States have since 1948 improved rapidly - partly as a result of United States foreign aid in its many forms - in fact more so than in the United States itself, which has been plagued by three recessions (1948-49, 1953-54 and 1957-58), while other countries have been able to steer a more even course;

(c) As a result, and also because the share of United States output which is exported is so much smaller than in the rest of the world, the ratio of exports to production had for the world as a whole by 1958 not yet recovered its 1938 level. But if the world outside the United States is considered alone, the pre-war ratio had been fully restored. (Page 9).

7. Trade between Industrial and Non-Industrial Areas.

The unsettled economic conditions, especially in North America, and the slowing down of economic growth elsewhere during the last two years, turned out, after the event, to be less disastrous that might have been expected in their general effect, not only upon world production and world trade as a whole, but also in respect of trade between the industrial and non-industrial areas. It is true that the decline in the share that exports from the non-industrial to the industrial areas represent in the world total, which had been continuous in recent years, proceeded further. But it is also true that the exports from the industrial to the non-industrial countries continued to represent a constant, and, in both 1957 and 1958, even a slightly larger proportion of world trade. On the other hand, the tendency of trade among Industrial countries to rise in relation to the world total was interrupted in the second half of 1957 and the first half of 1958, but appears to have been resumed in the latter half of 1958. Trade among non-industrial countries, finally, continued in 1957 and 1958 to account for 10% to 11 per cent of world exports, as had been the case since 1953.

8. The relatively well maintained value of imports (relatively, that is, to world trade), together with a relatively falling value of exports, has given rise in recent years to a growing adverse balance on merchandise account for the non-industrial areas.
While the total import surplus of the non-industrial areas taken as a whole continued at, and even slightly increased beyond, the impressive level of 1957 - in fact nearly reaching $4,000 million, the various groups of countries shared very unevenly in this total.

The oil exporting countries continued to have a very substantial excess of exports over imports which in 1958, at $2,700 million, was larger than ever before. (Page 10).

The countries of Eastern Europe, the USSR and mainland China, who mainly trade with the outside world under bilateral arrangements, had on the whole imports but slightly exceeding exports in 1957 and 1958.

The "semi-industrialized" countries, i.e. Argentina, Brazil, Mexico, Australia, India (including Pakistan, for comparison with pre-war years), the Union of South Africa, Finland, Spain and Yugoslavia, who in 1953 together still had a trade surplus roughly equalling in purchasing power that of 1937-38, have experienced growing trade deficits which in 1958 reached something like $1,900 million. (Page 10).

The remaining non-industrial countries (which include all the dependent territories) have since 1953 been importing well beyond their export earnings, and the value of imports they were able to secure in excess of their exports has also grown continually in recent years, until in 1958 it reached, as already in 1957, the impressive sum of $4,500 million. (Page 13).

9. **Factors determining the Growth of Export Earnings in Primary Producing Countries**

(a) These substantial differences in the general trade position of various groups of non-industrial countries seem to make it worth while to resume, on a more systematic basis, the analysis of the vast body of historical material on the exports of non-industrial countries which had been collected for the Panel of Experts who wrote *Trends in International Trade*.

(b) The analysis of long-term tendencies in the exports of primary products from the non-industrial areas (excluding the USSR, Eastern Europe and mainland China) included in Chapter II of *Trends in International Trade* brought out that three factors have since the late 1920's influenced the development of the export earnings of primary producing and exporting countries: (1) the commodity composition of a given country's exports, (2) its stage of economic development and (3) the shelter it enjoys in supplies to closely associated industrial markets. (Page 13).
For the purpose of this analysis "shelter" does not refer only or primarily to the existence of special trading arrangements, but also to the presence of traditional ties of a political, financial or trading character which affect the trend of investment, and of old established business connexions.

As had already been noted in "Trends" there were large divergencies in the development of both the volume and unit value of exports from non-industrial areas as between various large categories of primary products. The most significant feature was the growth of petroleum exports which, in 1956, accounted for about $6,000 million, as compared with about $540 million in 1928, while their volume had during the same period risen about five-fold. The exports by non-industrial countries of other primary products developed much less favourably. In 1956, their volume, though substantially higher than in the preceding year, exceeded the 1928 level by only about one-quarter.

While the prices of non-tropical foodstuffs and of agricultural raw materials in 1956 exceeded those of 1928 by 80 and 60 per cent, respectively, those of tropical foodstuffs (coffee, tea and cocoa) and minerals (mainly non-ferrous ores and metals) stood about 130 per cent above 1928. As regards volume, there was a sharp contrast between non-tropical foodstuffs which recorded a 10 per cent fall between 1928 and 1956, and the other three categories which showed increases ranging from 35 to 54 per cent. (Page 14).

(c) Further detailed analyses by the GATT secretariat leads to the following conclusions (pages 20 - 23):

(i) The essential growth characteristics of each of the four commodity categories are on the whole reflected by each group of countries that belong to it, regardless of its stage of industrialization and of the presence or absence of shelter.

(ii) However, the stage of industrialization and the presence or absence of shelter seem to affect the course of export proceeds within each of the four commodity groups of countries. Thus, the group comprising countries that export mainly agricultural raw materials shows in 1956 export proceeds just under double the 1928 figure; while both the non-industrialized unsheltered and the semi-industrialized sheltered countries (including Australia, India and Mexico) record a somewhat

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1 These categories are non-tropical foods, agricultural raw materials, tropical foods, minerals.
smaller increase, the non-industrialized sheltered countries fared considerably better. Among the countries mainly exporting tropical foodstuffs, Brazil (which is both semi-industrialized and unsheltered) shows in 1956 a level somewhat lower than that reached by the tropical food exporters combined, while both the sheltered and the unsheltered non-industrialized experienced a higher rate of growth. Among the exports of non-tropical foodstuffs, Argentina (which is the only representative in the semi-industrialized unsheltered sub-group) suffered an actual fall in export earnings in 1956 as compared with 1928, whereas the non-industrialized sheltered sub-group nearly trebled theirs. The "mineral" countries, taken together, showed export proceeds more than four times as high as in 1928, but the non-industrialized unsheltered among them lagged behind. South Africa (representing the semi-industrialized sheltered) kept roughly in line with the total, while the non-industrialized sheltered countries (including the Federation of Rhodesia and Nyasaland, the Belgian Congo and Tunisia) recorded a more than ten-fold rise between 1928 and 1956.

Export proceeds have risen more slowly in the countries having reached a more advanced stage of industrialization. Even disregarding Argentina, where special factors have been at work, the export proceeds of the semi-industrialized countries included in the table show in each commodity category a smaller increase than the other primary exporters. This finding should, of course, not be taken as meaning that the lower rate of expansion of exports is the result of industrialization as such. For instance a country embarking on a programme of industrialization is necessarily one which has already passed through the stage of first establishment of a primary product export economy and which, especially in the case of minerals, would not normally continue its initial rate of expansion. In order to determine the causal relationship between industrialization and the level of exports, it would be necessary to examine in detail the policies followed by the semi-industrialized countries as well as their internal economic development.

The presence of shelter seems to have had some influence on the development of export earnings. The data examined seem to indicate that there was in such cases a sharper increase in earnings in both semi-industrialized and the other primary exporting countries. Only in respect of tropical foodstuffs have the sheltered non-industrial countries failed to do significantly better than the unsheltered non-industrialized. The data examined are, however, not sufficiently comprehensive to warrant any definite conclusion regarding the influence of shelter on the development of export trade.
(v) The rate at which the export proceeds of the semi-industrialized countries have increased is closely similar as between the four which are unsheltered and the four which are sheltered. In both these groups, export proceeds in 1956 were about twice as high as in 1928. Among the other primary exporters, the unsheltered experienced a development of export earnings which was but slightly more favourable than in the case of the semi-industrialized countries, whereas the sheltered witnessed in 1956 a level of export proceeds nearly three-and-a-half times that of 1928.

(d) Finally, the material at hand makes it possible to establish the contribution of changes in volume, on the one hand, and in price (or unit value), on the other, in shaping the course of export proceeds for the main commodity categories. As will be seen from Graphs V to IX, the export unit values of primary products taken as a whole have moved since the late 1920's in a very similar way for both the semi-industrial and the other primary exporters, whether sheltered or unsheltered. The differences in the growth of export proceeds are almost exclusively due to changes in the export volumes. Although the movements in unit values are less uniform as between country groups when individual commodity categories are considered. It is nevertheless clear that the effect of shelter appears to consist not only of faster growth of export volume in the long-run but also of lesser amplitude in short-term fluctuations. (Page 24).

(e) The analysis should, of course, not be understood to indicate that a given country's export development essentially depends on the kind of commodities it exports, its degree of industrialization and the presence or absence of shelter. There are obviously special factors at work in each country which make it in a sense a unique case. Nevertheless, such special factors appear not to be strong enough to blur completely the effect of the three factors investigated. Among these, the commodity composition of exports exercises the clearest influence, while the presence or absence of shelter and the degree of industrialization (partly on account of the crudeness of the criterion used) are perhaps less powerful. As for the effect of shelter, it may be questioned what relative weight is to be attached to the absence of quantitative restrictions, the existence of a common currency and the presence of tariff preferences, as compared with the influence of well-established, traditional business connexions and the attraction which the incidental effects of close association with an industrial market may have on the trend in investment. Unfortunately, the material available has not made it possible to give a conclusive answer to another most fundamental question in relation to shelter, i.e. whether the acceleration in the growth of export earnings is the effect of the introduction, or increase, of shelter, or of its mere presence. There are indications both ways, and the matter must therefore be left open until further study has clarified the issue. (Page 29).
Trade in Individual Commodities

Analysing the Composition of Trade by Main Commodity Categories and Trade Flows, the Report states that "as a result of the higher rate of increase in the value of trade in manufactures as compared with primary products over the last few years, the share of the former rose from 46 to 51 per cent between 1953 and 1957. The decline in international trade in 1958 affected primary products considerably more than manufactures and consequently the share of the latter rose still further, reaching 52 per cent of total trade". (Page 29).

"The trend towards a larger share of manufactures in world trade is discernible, more or less strongly, in most of the main importing areas. In total imports (f.o.b.) of industrial areas, the share of manufactures rose from 38½ per cent in 1953 to 43 per cent in 1957 and to 44½ per cent in 1958 (first half)."

"Although the primary producing areas contributed much less as suppliers of manufactures to this development (the trend towards a larger share of manufactures in world trade) than the industrial areas, it should be pointed out that they had some share in it. In total imports by the industrial areas from primary producing countries, the share of manufactures rose from 11 per cent in 1953 to 13 per cent in 1957, mainly on account of textiles and base metals."

The Report states that "the more rapid expansion of trade in manufactures as compared with primary products is reflected especially in trade among industrial countries and in their exports to non-industrial areas".

Turning to Price Movements, the Report states that "prices of manufactures, which in the beginning of 1956 had been on a level with primary products (in relation to 1953) moved upwards until the beginning of 1958, after which they weakened somewhat. Over these three years the price position of primary products clearly deteriorated in comparison with that of manufactures. Though the price level of manufactures became firmer in all the main exporting countries, there was in the United States an increase considerably larger than in the other countries. Export prices of manufactures from the United Kingdom rose more than in other European exporting countries, in particular more than in Germany, its principal competitor in the area". (Page 33).

Dealing with trade in Primary Products, the Report first analyses Food, Beverages and Tobacco. "The aggregate export value of international trade in food, beverages and tobacco rose considerably in recent years, from $16,700 million in 1953 to $19,100 million in 1957, i.e. by 14 per cent. Food prices in foreign trade fell by about 3 per cent in that period and the volume increase was thus slightly larger. But in 1958 food prices were in general considerably lower than in the preceding year and in some cases there were reductions also in the quantities of individual products. As a result the
total value of food trade failed to increase for the first time in several years. In spite of the value increase up to 1957, the share of foodstuffs in total international trade fell from about 22 to 19 per cent, since the value of other commodities increased much more." (Pages 36 - 37).

"Of the rise in food exports, by about $2,400 million as between 1953 and 1957, the industrial areas accounted for about $1,600 million, of which continental Western Europe alone contributed $1,000 million; most of the remaining $800 million was accounted for by the dollar countries in Latin America, the overseas dependencies of continental Europe and some members of the sterling area."

"A small number of individual commodities account for over one-half the total of food exports. Twelve items covered in 1957 about 59 per cent; in 1953 this share had been nearly 64 per cent but it fell in each following year. While the quantities traded in each commodity listed were in 1957 higher than in 1953, a substantial rise in the value of exports occurred only in respect of maize, meat, sugar, tea and tobacco, while for wheat, rice, butter coffee, cocoa and bananas the value was lower than in 1953." (Page 37).  

Examining trade in Raw Materials, the Report states that "the total export value in this group of commodities rose from $13,400 million in 1953 to $17,800 million in 1957, i.e. by 33 per cent, an increase more than twice as large as in respect of foodstuffs... Total raw material exports from the industrial areas rose in 1953-57 by 57 per cent in value, but in non-industrial areas by only about 18 per cent."

"Among the raw materials a few items, as was noted also in the case of foodstuffs, cover more than one-half of total trade value. Eight products accounted in 1956 and 1957 for about 54 per cent of total export value in this group and for an even larger proportion in the preceding three years. Except for wool, jute, hides and skins, the trade values of these major commodities rose appreciably during the period. With the exception of jute, all these commodities also registered larger quantities traded. The rest of exports in this raw materials group consists of a large variety of materials, the main items being copra and coconut oil, palm oil, linseed oil and other oils and oilseeds, sisal, abaca and other fibres, intrates and various non-ferrous ores and minerals."  

1 Wheat, barley, maize, rice, butter, meat, sugar, tobacco, coffee, tea, cocoa, bananas.

2 Cotton, wool jute, hides and skins, rubber, cellulose, timber, iron ore.
"Apart from the much larger relative, and also absolute increase in the value of the main crude materials exported from industrial than from non-industrial areas, it should be noted that the export value from both origins of the 'other' products (listed above) rose faster than the value of the eight main materials, indicating a higher degree of diversification in the export composition from both these origins in recent years."  (Page 53).

Regarding trade in fuels, the Report states that "between 1953 and 1957 the total value of exports of fuels rose by about 57 per cent, i.e. considerably more than all other international trade which increased by about 39 per cent. There was only a moderate rise in coal exports by Western European countries compared with the sharp increase in North America, which started in 1955. While the rise in North American exports of petroleum products in 1956 and 1957 was mainly due to the Suez crisis, the exports of Western Europe and of the primary producing countries (which account for about three-quarters of the total export value in this group) have been increasing steadily since 1953."  (Page 67).

Turning to trade in manufactured goods, the Report states that "the total value of trade in such goods, which rose continuously in recent years, increased from about $32,400 million in 1953 to about $50,000 million in 1957. In 1958 it declined by about 3 per cent - a radical departure from recent developments. The value of world exports of manufactures had increased by roughly 2 1/2, 5, 5 1/2 and 4 1/2 thousand million dollars in each year since 1954 with rates of increase of 8, 14, 14, and 11 per cent respectively."  (Page 72).

"Although, at the time of writing, final data for 1958 are not yet available, statistics relating to the principal exporting countries show that the fall in United States exports of manufactures by about $1,100 million (excluding special categories) accounted for most of the reduction. The next ten most important countries taken together were in fact able to increase exports by some $340 million, the result of higher exports from Germany, France, Italy, the Netherlands and Sweden and lower exports from the United Kingdom, Belgium, Switzerland, Canada and an unchanged export level in Japan. While in the United States the decline in 1958 was evenly distributed between the two halves of the year, the fall in exports from the other countries occurred almost exclusively in the first half. The decline over 1957 was nowhere larger than 4 per cent, except in the United States, where it exceeded 10 per cent."

"The Federal Republic of Germany, whose manufactured exports were 4 per cent larger in 1958 than in the preceding year, thereby had outstripped the United Kingdom for the first time, and thus became the second largest supplier to the world market."  (Page 72).
It may be noted, the Report states, that "the large difference in the rate of increase in the exports of manufactures shown by the United Kingdom on the one hand and the EEC countries on the other, is mainly the outcome of the rapid advance of German exports. The unequal development in the two principal European manufactures exporting countries has been the subject of a recent analysis which concludes that the main reason why Germany's exports of manufactures rose twice as much as those of the United Kingdom in 1953-57, was that they were directed principally to continental Europe, the fastest growing market. Of the whole increase in the former country's exports of manufactures, nearly one-half fell on that area. The increase, in absolute terms, was five times larger than that of the exports of the United Kingdom to the same area. But Germany increased exports of manufactures more than the United Kingdom also to the dollar area and the rest of the world, except the sterling countries where the United Kingdom was able to hold its own." (Page 74).

"Over the whole period 1953 to 1957 total trade in manufactures between the industrial areas of North America and Western Europe rose by about 59 per cent in value and trade within the areas by about 51 per cent. While thus the former trade flow expanded somewhat more than intra-regional trade, this was exclusively the outcome of a more rapid rise of the trade in semi-manufactures (mainly unwrought base metals and chemicals) as compared with finished manufactures which showed the same rate of increase over the period in both trade flows." (Page 75).

"Trade in manufactures between the industrial areas and the countries with a centrally planned economy (the USSR, Eastern Europe and mainland China) deserves special mention." The Report states "the industrial areas export about twice as much of manufactures to the planned economy countries than they import from them. Trade in both directions more than doubled in the last few years. But while the share of exports to these countries in total exports of manufacture (i.e. destinations other than the industrial countries themselves) rose only from 3 to 5 per cent between 1953 and 1957, imports from those countries accounted for 10 and 17 per cent respectively, of total manufactures imports from origins other than the industrial countries."

"Between 1953 and 1957 exports of manufactures to planned economy countries rose from about $440 million to about $1,100 million, and imports from them rose from about $200 million to about $480 million. The largest increase both ways occurred with respect to base metals." (Page 77).

Textile Trade

"The widespread slowing down in textile trade in 1958 affected all the main supplying areas. North America's and Western Europe's exports to industrial countries rose during 1953-1957, whereas those directed to primary producing countries fell. In 1958 (first half) the decline in the
former trade flow was about twice as large as in the latter. Among the three main exporters in Asia, Japan and Hong Kong in 1958 showed increased exports to industrial countries but a decline in other areas. India's exports fell in both directions, but much less to industrial than to non-industrial destinations." (Page 78).

"Considered together, these three exporting countries in Asia have over the last few years become more important as suppliers both of the industrial and the non-industrial areas. This shift occurred both in the case of cotton fabrics and other textiles, among which man-made fibres from Japan have advanced rapidly."

"The advance of the three Asian countries in several non-industrial areas during the years 1953-57 was at the expense of the old-established suppliers. North America and Western Europe lost ground in Latin America and the overseas sterling area; in the sheltered market of the overseas territories of continental Europe the metropolitan suppliers were able to maintain their export level as did the three exporters in Asia, which however gained strongly in the overseas sterling area, where the United Kingdom's exports declined, and also in the rest of the world where supplies from the industrial exporters remained unchanged." (Page 79).

Passenger Cars

"World production of passenger cars (excluding the USSR, Eastern Europe and China) fell from 9.6 million units in 1957 to 8.5 million units in 1958, entirely as a result of a fall in North America from 6.4 to 4.5 million units. In all other producing countries there was a rise; in the four leading manufacturing countries in Western Europe the increase was from 2.9 to 3.5 million units. Consequently, the share of North America in total production fell from 67 per cent to 53 per cent. While the United States exports of passenger cars continued to decline, as they had done ever since 1956, the exports of the United Kingdom rose from 426,000 in 1957 to 487,000 units in 1958, and those of Germany, France and Italy from 845,000 to 1,139,000 units. The total increase in exports of these four countries, by 28 per cent, was even larger than the 21 per cent rise in production. Of total output in the four countries, 46 per cent were exported in 1958, against 43 per cent in 1957 and 39 per cent in 1956." (Page 85).

"While losing ground as an exporter, the United States has grown rapidly as an outlet for European motor cars. Some 375,000 passenger cars were imported from Europe in 1958, i.e. nearly twice as many as in 1957, and their share in the domestic market rose from 3½ to 8 per cent. The main suppliers were the United Kingdom and Germany with 36 and 34 per cent, respectively, followed by France with 18 per cent and Italy with 6 per cent. Exports to the United States from Sweden, where production in 1958 reached about 90,000 units, have also expanded greatly to the United States in the past few years, accounting for 4 per cent of United States imports from Europe in 1958. Canada also provides an expanding market for European cars. In 1958 about 45,000 units were imported compared with 29,000 in 1957." (Page 86).
"The rise in the value of imports of passenger cars into non-industrial areas between 1953 and 1957 was, by about 60 per cent, much smaller than the expansion of trade among industrial countries. In the beginning of 1958, when only the overseas sterling area's imports rose markedly, the increase over the first six months of 1957 was by only about 12 per cent. As between the three main supplying areas, important shifts should be noted. North America's share as a supplier to the non-industrial areas fell from 46 to 34 per cent between 1953 and the first half of 1958 and the United Kingdom's share from 30 to 26 per cent, while the EEC countries advanced correspondingly. Moreover, these countries show a relative increase in exports to the overseas sterling area in particular, which was substantially larger than that achieved by the United Kingdom, whereas the United Kingdom had no share in the expanded imports by the overseas territories of continental Europe. In Latin America the continental exporters gained more than either the United Kingdom or the United States. But in the rest of the non-industrial world, the United Kingdom expanded in 1953-57 at the same rate as the continental exporters."

(Page 88).

Exports of Capital Goods

"Exports of capital goods from industrial countries rose from 1953 to 1957 by about 60 per cent in value, i.e. somewhat more than the 54 per cent rise in all other manufactures, taken together. Even in 1958, when the previous rapid expansion in international trade in manufactures came to a halt, capital goods continued to increase... The expansion in capital goods in the period 1953-57 was of a similar magnitude in exports to non-industrial areas as in exports to other industrial countries. But in the latter the rate was equal in both these categories." (Page 90).

"Among the individual suppliers to non-industrial destinations, North America, the EEC countries and other continental Europe maintained, with only minor variations, their positions over the period 1953-57 with shares of 37, 26 and 6 per cent respectively. The United Kingdom on the other hand lost ground (its share fell from 39 to 26 per cent) as much as Japan gained (from 3 to 6 per cent) mainly thanks to a large increase in the exports of ships."

"Since 1954 the total imports of primary producing countries from industrial countries have in each year exceeded their exports in that direction. The deficit which rose from about $1,170 million to about $4,980 million in 1957 (counting imports at c.i.f. values) has been financed through loans or aid by governments or international institutions or by private investments." The Report states that "it may be estimated that in 1957 primary producing countries received about $5,050 million in capital, both official and private, and aid (excluding military) from the three most important capital exporters (United States, the United Kingdom and France)." (Page 90).
"Although it is not possible to distinguish the extent to which these various credits directly correspond to exports of capital goods, it is certain that the recent expansion in imports of capital goods by primary producing countries was made possible largely through the inflow of private and official capital. In the period 1953-57 the primary producing countries increased their imports of capital goods from industrial countries by about 60 per cent, but imports of all other goods from the same source (food, raw materials and consumer goods) rose by less than 40 per cent." (Page 91).

NOTE: About thirty of the most important commodities entering into world trade are dealt with in detail in the Report and their place in total trade has been calculated, showing separately the exports from the industrial and non-industrial countries respectively.

Trade of Areas and Countries

Trade of Industrial Areas

The 1957-1958 recession in North America and the levelling-off of production in Western Europe and Japan during 1958 greatly influenced the trade of the industrial areas. While in 1957 trade of the industrial areas, as during earlier years, rose at a higher rate than world trade as a whole, the decline in 1958 was at the same rate as in total world trade. (Page 94).

In 1957, in contrast to 1956 and 1955, the relative increase in exports to non-industrial areas was higher than the increase in trade among the industrial countries themselves (12 versus 8 per cent), although, in absolute terms, the latter continued to be more important.

Recent developments have led to a trade surplus of the industrial areas vis-à-vis the non-industrial areas of $3,800 million in 1957 and $3,900 million in 1958, as compared with only $1,000 million in 1956. The increase in the trade surplus was, to a great extent, due to price developments. Unit values of exports fell both for industrial and non-industrial areas after mid-1957, but while the decrease for non-industrial areas was 7 per cent as at the end of 1958, the decrease for industrial areas was only 3 per cent.

The decline in exports from North America (including trade between the United States and Canada) accounted for $2,100 million of the $2,500 million fall in trade among industrial countries in 1958. This was largely caused by the sharp decline in exports of fuels and raw materials due to the levelling-off of production in other industrial areas. During the boom period 1954-1957, Western Europe and Japan imported from North America an increasing part of their requirements of fuels and raw materials - which in the case of fuels was enhanced by the emergency imports of petroleum from North America caused by the closure of the Suez Canal in late 1956 and early 1957. This development was a major factor in bringing about, during the years 1955-57, a higher rate
of increase in trade among industrial countries as compared with the trade of these countries with non-industrial areas. In 1957, North America's share of the exports of the industrial areas was 36 per cent, but it fell in 1958 to 33 per cent. (Page 96).

Turning to industrial production and trade, the Report states that "for most industrial countries there exists a clear relationship between industrial production, on the one hand, and imports on the other."

Whether or not imports rise or fall more slowly at the same rate, or more rapidly than industrial production depends on the production structure of each individual country. In many countries, however, there is a tendency for imports to grow or decline more rapidly than production. The reason for the greater variation in imports as compared with production lies in the fact that domestic supply of certain key commodities is, in the short-run, rather inelastic. A typical example of this is that Western Europe during the 1953-57 boom had to import great quantities of coal, but developed a large coal surplus in 1958, after the levelling-off of economic activity. Problems of the same kind have during recent years been particularly serious for the economy of Japan. Like production, world trade continued to grow in 1956 and 1957, but at a diminishing rate. Between mid-1957 and mid-1958 production in North America again, as in 1953-54, declined by about 7 per cent and during 1958 production levelled-off in Western Europe and Japan. The diminishing growth of output was primarily the result of slackening in the demand for equipment and durable consumer goods, partly caused by government policies to counteract inflation. However, the sharp drop in production in the United States did not lead to a corresponding drop in imports. The fact that Western Europe as a whole, whose exports to non-industrial areas in 1957 were 30 per cent higher than those of North America, kept the same level of exports in 1958 despite a rather sharp decline in the value of imports from these areas, makes it difficult to trace the repercussions which lower export proceeds in primary producing countries may have had on exports and production in the industrial areas. The full effects of the recession are not yet visible. Since, however, much emphasis has been placed on the idea of the "gains" that industrial countries derive from "improvements" in their terms of trade, it is planned to investigate in next year's annual report to what extent a fall in export earnings of the primary producing countries leads to a decline in exports and production in the industrial countries. If such a relationship can be found, the concept of "gains" due to improvements in the terms of trade, will have to be modified. (Page 97).

The Trade Position of the United States

The $3,000 million decline in export earnings of the United States in 1958 has given rise to the question whether certain United States products were priced out of the world market. While this view has often been exaggerated, the events of 1958 nevertheless suggest that some structural changes may have gradually taken place during recent years. (Page 103).
There has been an obvious cyclical pattern in the development of imports of crude materials (especially ores and rubber) and of metals with declines in 1954 and 1958. There was a 6 per cent increase in food imports in 1958 despite a $200 million drop in coffee imports, because of a sharp rise in meat imports due to the downturn of the cattle cycle in the United States. The demand for certain imported luxury food items, which was growing during the boom years, continued high in 1958.

Imports of fuel have shown a steady increase during these years regardless of the business cycle. The value of petroleum imports increased by $900 million, or more than 100 per cent, between 1953 and 1958. American oil companies have found it advantageous to increase imports from overseas sources instead of expanding their domestic production. (Page 104).

There has also been a steady increase in imports of machinery and transport equipment and in miscellaneous manufactures, mainly consumer goods. This increase has been caused by the greater capacity of Western European and Japanese industries to provide goods to compete in price and to satisfy the changing taste of substantial groups among American consumers whose purchasing power did not decline during the recession. The rise in automobile imports has been particularly spectacular, being ten times higher in 1958 than in 1953.

United States exports (excluding special categories) rose 62 per cent in value and 54 per cent in volume from 1953 to 1957. During the same period the volume of total world exports increased 31 per cent, which means the already strong position of the United States as the world's leading exporter was greatly strengthened. Until the closing of the Suez Canal, the increase in fuels was mainly due to coal exports to Western Europe, which seems to develop coal shortages in times of economic expansion. During the closing of the Canal from late fall 1956 until the summer 1957, there was a steep increase in petroleum exports to Western Europe. In the period 1953-1957 there was also a steady increase in exports of manufactured goods, the value of which increased by 47 per cent during the five-year period. Despite the increase, however, the United States' share of the world market fell slightly as Germany and Japan gradually regained their former markets, but it kept its position better than the United Kingdom. In 1958 exports of crude materials and fuels fell by 30 per cent and manufactured goods by 7 per cent.

The United States had, during the boom period, especially from 1956 on, a sharper rise in prices of their manufactured goods exported (page 107) measured by the unit value index, than had other principal exporting countries.

The United States has lost much of the superiority it had in productivity during the years immediately following the second world war while at the same time Western Europe and Japan have greatly improved their ability to deliver promptly all kinds of manufactured goods.

The reason for the great drop in the United States trade surplus in 1958 thus cannot be found in a single factor, such as the assumption that United States products have been "pricing themselves out of the world market", but rather lies in a combination of structural and cyclical factors which may be summarized as follows:
On the import side: A cyclical decline in crude materials and metals was balanced by a structural increase in petroleum, automobiles and miscellaneous consumer goods. In the case of automobiles, the rise in imports was probably not caused so much by the domestic producers' inability to compete, but rather by their failure to recognize in time the increasing demand for smaller cars.

On the export side: In addition to the cyclical decline in crude materials, fuels and metals, came the fact that 1957 exports reached an abnormally high level because of the Suez crisis. Partly because of the great dependence on the Canadian market whose imports of manufactured goods usually decline rather sharply during recession periods, United States exports of manufactured goods were hit harder in 1958 than exports of other countries. Furthermore, it appears against the background of slackening demand throughout the world that United States industry, in view of the revival of productive power in other countries, is more sensitive than before rises in production costs. (Page 108).

The Trade Position of Western Europe

The volume of total trade of Western Europe, which rose 6 per cent in 1957, did not decline in 1958, contrary to what happened to the trade of North America and Japan. In 1958 Western Europe therefore increased its relative importance in world trade.

Western Europe as a whole hardly witnessed any recession, although the development in individual countries was uneven. Belgium was the only country with a marked decline in production and trade while some countries, for instance, the United Kingdom and Norway, suffered lesser reductions. On the other hand, Germany, France and Italy continued their expansion, although at a slower pace. With a price development which favoured manufactured goods relative to primary products, almost all countries of the area improved their balance of payments.

Almost all countries of Western Europe exported in 1957 more to each other than in the previous year, Germany with $500 million, the Netherlands and Italy with $200 million each showing the greatest increases. While in Italy and the Netherlands the increase in imports more or less balanced the increase in exports, Germany's export surplus scored another high at $1,700 million, an increase of nearly $300 million compared with the preceding year. In 1958 intra-European trade declined by $640 million.

In 1958 Western Europe's imports from North America dropped $1,600 million and reached their lowest level since 1954 despite some liberalization of dollar imports which took place during the year. At the same time exports increased by $250 million.
Trade with non-industrial areas accounts for about 40 per cent of Western Europe's total trade. (Page 113).

During the boom years 1954-1957 Western Europe experienced a greater increase in exports to non-industrial areas than North America and was able to keep the same level in the recession year 1958, when North America's exports declined. The United Kingdom and France have lost relatively in most areas (although France has gained in its overseas territories), while especially Germany and Italy have gained. (Page 114).

The Trade Position of Japan

The great variations in Japan's trade position during recent years seem to be caused by the precarious balance between production and exports, on the one hand and imports on the other. The lack of essential raw materials such as cotton and petroleum, combined with a rather inelastic supply capacity of coal, ores and metals, seems to create conditions in which the import requirements are accelerating more rapidly than production and exports after a certain level is reached. This must necessarily lead to balance-of-payments difficulties which require cuts in imports and therefore also curtailments of industrial production and economic growth as a whole. (Page 119).

The Report states that if Japan wants to continue its economic expansion and regain the same share of world exports it had before the war, it will be necessary to expand basic industries, especially the metal industry since it is the metal requiring products that besides chemicals are expected to have the greatest possibilities for increased exports. (Page 121).
The Trade Position of the Non-industrial countries

"Under the impact of the downturn in economic activity in major industrial economies in 1958 the trade of the non-industrial countries suffered a serious setback," the Report states.

"On the one hand, the slow growth which the non-industrial countries were experiencing continuously since 1953 in their export earnings came to a halt in the opening months of 1958 and the aggregate value of their total exports for the year as a whole amounted to $32,194 million (or $1,376 million less than in 1957).

"On the other hand, the rate of expansion in the import demand of the non-industrial countries (which, during 1952-57, had registered a faster increase as compared with their export earnings) contracted abruptly during 1958, largely on account of unfavourable commodity prices and depleted foreign exchange reserves. Since the cut-back in import expenditures (by $1,331 million between 1957 and 1958) was of almost the same magnitude as the reduction in export proceeds, the trade deficit of the non-industrial countries combined in 1958 ($3,900 million) was again as large as in 1957.

"Both in 1957 and in 1958, the export earnings of the non-industrial countries were sufficient only to cover about 90 per cent of their import outlays... and the trade gap was again financed by extensive drawing down of foreign exchange reserves (which already stood at rather a low level owing to the adverse trading results of the preceding years and in 1958 were reduced to their lowest level of the decade) and a marked increase in external obligations.

"The trading results of 1958 again brought to the forefront the disturbing trends which have characterized the recent trade developments in the non-industrial countries. It is abundantly evident," the Report states, "that the non-industrial countries cannot continue to experience indefinitely trade deficits of such extraordinary magnitude as those recorded in 1957-58 and any further expansion in their imports could only take place if there is a corresponding expansion in their ability to export. This conclusion is borne out by the analysis of trade developments in all the major non-industrial areas and particularly in about thirty individual countries."

The problem of servicing external debts in the absence of any fundamental and far-reaching expansion in the capacity to export of the countries concerned has already resulted in producing serious strains in the balances-of-payments of the Latin American republics. Unless the inflow of capital and technical knowledge is also harnessed to develop the export sector - traditional as well as new items - the countries are bound to experience further serious balance-of-payments difficulties. Even the economizing on imports through increased domestic production would not be wholly sufficient to offset the growing import requirements in respect of equipment, spare parts and raw materials, at least in the early stages of industrial development."
Besides the recognition of the urgent need to simplify the existing foreign exchange systems, the Latin American republics have expressed their desire to expand intra-regional trade and eventually to establish a common market. Since the war, intra-regional trade has represented not more than 10 per cent of the total trade of the area and such trade as there is, is based on a narrow range of commodities, principally foodstuffs (wheat, sugar, coffee and fruit), and a few raw materials such as timber, cotton and copper.

The rapid expansion of shipments of chilled beef, which was one of the most notable features of Argentina's export trade during 1955-57, came to a halt in the second half of 1958. It had in fact been possible to expand exports only by reducing herds.

Argentine beef exports are expected to drop by nearly 30 per cent during 1959 under the impact of the campaign to build up cattle stocks. During the first two months of 1959, exports of chilled beef at 286,000 tons were 66 per cent below the corresponding 1958 figure.

The continued deterioration in the world coffee situation during 1957-58 adversely affected Brazil's export earnings.

It was officially estimated that Brazil's payments deficit on current account of $300 million in 1958 was financed by drawings of $75 million from the International Monetary Fund, loans from the Export-Import Bank, and private United States banks of $100 and 58 million, respectively, a reduction in foreign assets of $21 million, and an increase in international obligations of $53 million.

While world coffee consumption has risen steadily, it has lagged far behind the increase in output in the past few seasons.

In the face of stagnating export incomes and declining foreign exchange reserves during recent years, the evolution of Brazil's capacity to import - especially with reference to its industrial development programmes - has been largely conditioned by the availability of foreign credits and the inflow of foreign capital.

Brazil has been attracting substantial private foreign capital, especially since the enactment of liberal legislation in 1955 which guaranteed a favourable climate for such investments.

Thus it was largely on account of the inflow of foreign capital and the availability of medium-termed loans that, despite an overall reduction in total imports, capital goods imports at $335 million (or 35 per cent of total import expenditure) during the first three quarters of 1958 were maintained at the level of the corresponding period of 1957.
In spite of stringent import restrictions, Uruguay barely managed to even its balance of trade in 1958.

The poor performance of exports (and the consequent decline in the capacity to import) since the war was caused by the failure of the system of multiple exchange rates to achieve an expansion in production and exports in face of fluctuations in external demand. The system was apparently based on the premise that there existed a steady demand for Uruguay's staple commodities and that conditions of full employment without inflation could be achieved by controlling producers' incomes and reducing the outlay on raw material imports for the local industry through the manipulation of differential exchange rates.

No other group of non-industrial countries was as seriously affected by the trade recession during 1958 as the overseas sterling area.

In the face of the slow growth in the area's export earnings from 1955 to 1957 and their subsequent decline in 1958 which has consistently lagged behind the rising import demand necessitated by the economic development needs (particularly of capital equipment), the area's balance-of-trade position has tended to deteriorate continuously. The trade deficit of the sterling primary producers (calculated with imports taken at c.i.f. values), which had nearly doubled between 1955 and 1956 ($342 to 678 million) further widened to $1,609 and 1,695 million in 1957 and 1958. The modest increase during the latter period is, however, exaggerated since the trade surplus accruing to the sterling Middle Eastern oil countries amounted to $932 million in 1955 and $802, 667 and 1,125 million in the three subsequent years. Therefore, if the favourable trade balance of the sterling oil exporting countries in the Middle East (Kuwait, Iraq, Bahrain and Qatar) is excluded, the overseas sterling area's trade deficit amounted to about $2,800 million in 1958 as compared with $2,300 million in 1957, representing an increase of 24 per cent (pp. 148-149).

The Report states that the share of the United Kingdom in the overseas sterling area's export proceeds (excluding oil shipments from the Middle Eastern countries) which had declined steadily from 34 to 29 per cent between 1955 and 1957, recovered to 31 per cent in 1958. With the exception of Iraq, Libya and the Persian Gulf territories, all the countries in the overseas sterling area enjoy in the United Kingdom either tariff preferences (many of which were granted in 1932 and calculated in specific terms) or duty-free access. Although raw jute and cotton from Pakistan, rubber and tin from Malaya, wool and wheat from Australia and wool, hides and skins, mutton and lamb from New Zealand are not subject to quantitative restrictions or any import charges, they nevertheless do not enjoy any preference in the United Kingdom, and certain sterling countries (mainly Australia in respect of meat, sugar, dairy products, fruit, lead and zinc; New Zealand for
butter, powdered and condensed milk, apples and honey; Ceylon for tea and coconut products; India for tea and spices; and South Africa for fruit) which do benefit from preferential tariff treatment have under the impact of the rise in prices since 1932 suffered from a reduction in the ad valorem equivalent of the preferences granted to them. Besides, the bulk purchase contracts entered into by the United Kingdom with most of its dependent territories and independent sterling countries, which guaranteed assured markets for various food products from 1940 to 1954, have since been terminated and the only special arrangements which still remain in force are of a very limited nature (Commonwealth Sugar Agreement, the 1952-67 meat agreements with Australia and New Zealand and the 1957-1967 agreement in respect of dairy products with New Zealand). Moreover, sterling primary producing countries themselves have since the war experienced structural changes in their economies whereby their pattern of production and exports has, with the development of manufacturing activity, become less concentrated upon traditional export items. In view of these developments, the importance of the United Kingdom (in spite of her being their largest customer) has been somewhat reduced and most sterling countries have in recent years made sustained efforts to place their exports on a broader basis. Apart from the setback received on account of the 1957-58 trade recession and the difficulties encountered in attempting to diversify the geographical pattern of the area's exports (of primary as well as manufactured products) a shadow has been cast on the future by the association of dependent territories with the six Member countries of the European Economic Community. On the one hand, sterling countries which have already suffered serious losses in recent years in their exports to Continental Western Europe are likely to be faced with growing competition from the associated African territories which will enjoy increasing preferences in the market of the EEC, and on the other hand, the area's exports of manufactures (originating mainly in India, Hong Kong, Pakistan, the Union of South Africa and Australia) to these associated territories would have to compete on less advantageous terms with supplies from the EEC member countries. Also producers of agricultural products in the temperate regions of the sterling area are apprehensive of the way in which the agricultural policy of the EEC may develop (pp.158-159).

Discussing the decline in the total imports from the United Kingdom into the area, the Report states that in view of the vital importance of resources for meeting the foreign exchange costs of development projects, it would seem that the recent trend towards a growing share of non-sterling sources in the imports of the independent sterling countries is likely to continue, unless any further expansion in long-term capital exports and short-term credits granted by non-sterling countries is matched by similar growth in assistance from the United Kingdom. This prospect should be seen in the light of the fact that in 1958 the capital inflow from non-sterling
sources into the whole of the overseas sterling area exceeded for the first time on record the total flow of such funds from the United Kingdom. By contrast, the geographical pattern of imports of the British colonies which has hitherto remained unchanged is likely to be increasingly oriented towards the United Kingdom not only on account of the substantial reservoir of purchasing power which the sterling balances now hold by these territories represent, but also because of the obligations already accepted by the metropolitan country in making finance and goods available under Colonial Development and Welfare Acts (pp. 159-160).

Australia was one of the "non-industrial" countries most seriously affected by the trade recession of 1957-58. The magnitude of the setback suffered by Australia in her exports during 1958 can be illustrated by the experience of wool, wheat and sugar which between them accounted for 60 per cent of export income in 1957. Earnings from wool alone contracted by 38 per cent or $423 million between 1957 and 1958 (a decline almost equal to the size of the trade deficit incurred in the latter year), sales of wheat and flour fell by $57 million, or 40 per cent, and earnings from sugar exports dropped by $34 million, or 33 per cent; the shrinkage in export income was a combined result of the recession in commodity prices and reduced export volume in respect of wool and wheat which suffered from drought. The outstanding feature of the Australian economy since the war has been the remarkable development of secondary industries and the consequent diversification in the structure of her production. Australia has placed in recent years a greater emphasis on the promotion of exports of manufactured goods which, if successful, would also help the manufacturing industries (which are not only based on indigenous mineral resources and relatively cheap coal but also fostered by substantial capital inflows and reinvestments of undistributed profits by foreign companies) to achieve economies of a scale not available to them if they produce for the domestic market of ten million consumers only (p. 163).

India's trade position showed some signs of improvement in 1958 after the strains of 1957. The aggregate trade deficits incurred during 1951-58 (this period represents the eight years of national planning), which amounted to about $2,750 million, led to a considerable depletion of foreign exchange reserves (by $1,225 million, mainly representing a reduction in the country's sterling balances) and a marked increase in external debt obligations.

Although the foreign exchange gap envisaged (about $750 million) for the rest of the duration (1959-61) of the Second Plan has also been more or less underwritten by creditor nations and international agencies, the schedule of repayment obligations and interest charges that fall due during the coming years will continue to strain the country's payments position. If viewed against this backdrop, the evolution of export earnings in recent years has been far from satisfactory. Although foreign assistance will continue to be of crucial importance in alleviating the short-run balance-of-payments problems, a sustained growth in export earnings to pay for necessary imports and to service external debts is indeed indispensable (p. 169).
Ceylon's favourable trade position in 1958, in sharp contrast to several other non-industrial countries, was the result of a combination of fortunate circumstances, not the least being the decline in the import prices of food, the fall in ocean freight rates and the maintenance of world demand for tea (p. 174).

The Report also examines the trade position of New Zealand, Pakistan, Ghana, Burma, the Federation of Rhodesia and Nyasaland and the Union of South Africa (pp. 166 onwards).

Discussing the trade position of French associated territories, the Report states that the role of these territories in world trade has hardly grown since before the war. While exports represented about 1.7 per cent of the world total in both 1938 and 1957, imports (c.i.f.) rose from 1.5 to 2.5 per cent of the world imports.

French territories direct a higher percentage of their total exports to the Metropolitan country than do Belgian, British, or Portuguese territories. Despite substantial increases in mineral and agricultural production in the French territories during the last decade, they have continued on the whole to be less dependent on world markets since output of various primary products in the overseas territories still fell short of French import requirements in 1957. The net imports of Metropolitan France from countries outside the franc area were nevertheless quite substantial in respect of sugar, cotton, manganese ore, citrus fruits, tobacco, coffee and groundnuts. It is only in respect of three commodities - bauxite and iron ore (of which France herself is a major producer) and cocoa - that the bulk of production in the French overseas territories in 1957 was shipped to destinations outside the franc area. While it is impossible to appraise future production developments, these three commodities are, therefore, the only ones of which significant quantities might, through the new preferential arrangements under the Rome Treaty, be channeled to the other five Members of the Common Market, without any substantial increases in production. This development might displace supplies from other sources but will at the same time create trade opportunities for outside producers in third markets (pp. 180-188).

In spite of a sharp rise in the trade deficit from $31 million in 1957 to $214 million in 1958, the balance of payments situation in Egypt showed some improvement owing to a rise in Suez Canal dues from $70 to $121 million and increased foreign assistance. Upon the settlement of claims and counter-claims arising from the Suez crisis, Egypt had access to its blocked assets in various Western European countries and the United States and moreover, substantial new credits from the Federal Republic of Germany, the Soviet Union, Japan, Eastern Germany, and Yugoslavia also augmented the country's short-term capacity to import.
The upward trend in the commercial exchanges with the USSR, Eastern Europe and mainland China, which has been the outstanding feature of Egypt's trade in recent years, continued in 1958 and this group of countries accounted for 45 per cent of the total export earnings and 30 per cent of all imports. While the geographical pattern of exports more or less continues to be dominated by the Eastern buyers (although the United Kingdom resumed purchases of cotton in the last quarter of 1958), the settlement of outstanding financial issues connected with the Suez crisis has led to some recovery in the share of industrial countries (which before 1955 were the major suppliers of Egypt) in 1958. For instance, imports from the United Kingdom rose from $6 million in 1957 to $36 million in 1958 and those from Germany, Italy and France have also risen sharply (pp. 191-192).

The Report provides a brief analysis of recent trade developments in Syria, Lebanon, Sudan, Saudi Arabia, Iran, the Federation of Ethiopia and Eritrea, Israel, Thailand, Philippines and Indonesia (pp. 192-197).

The Report offers a brief analysis of the trade position of Spain, Yugoslavia and Finland (pp. 197-202).

The Report also examines the trade of the USSR, Eastern Europe and mainland China, in 1958, with the United States, Canada, the United Kingdom, Iceland, Continental Western Europe, Japan and the non-industrial areas (including the Middle East and Latin America) (pp. 202-217).

The upward trend in the commercial exchanges of the USSR, Eastern Europe and mainland China with the rest of the world which had manifested itself since mid-1953 was maintained during 1958, though the rate of expansion in the external trade of all the countries in the area, with the exception of mainland China, slackened considerably in that year.

The total value of exports, at $77 million ($31 million from Poland, $13 million from Czechoslovakia and $19 million from the USSR) to North America remained unchanged between 1957 and 1958, and sales followed the usual commodity pattern, consisting mainly of canned hams from Poland, undressed furs and benzene from the USSR, and glass and ceramic manufactures from Czechoslovakia. Although exports of photographic goods and scientific equipment from the Soviet Union and motor vehicles from Czechoslovakia to the United States, though small, increased somewhat in 1958, recent commercial developments in the field of benzene, pulp and crude oil are noteworthy.
The Report states that it is expected that, during the next few years, there would be a substantial increase in commercial exchanges between the Soviet Union and the United Kingdom as a result of the five-year trade agreement signed between the two countries in May 1959. Already during the first five months of 1959 wheat and timber exports from Russia have been nearly 75 and 25 per cent, respectively, above the level of the corresponding period of 1958 (in both cases on account of their quotations being lower than those prevailing for North American wheat and for Scandinavian timber). Although the restrictions imposed on tin imports in August 1958 were withdrawn in January 1959 consequent upon the understanding reached between the USSR and the International Tin Council that such exports would not exceed 13,500 tons in 1959 (as against an estimated 18,000 tons sold in 1958 mainly through the London market), no exports have in fact taken place in the early months of 1959. Moreover, there has been no recovery in exports of raw materials for steel-making.

The Report states that, in view of vigorous competition that is becoming more and more characteristic of the oil market and the recent trends in the importing and distributing activities of independent oil organizations in the United Kingdom, and if deals such as the one negotiated between a British cement company with the Soviet oil agency (fuel oil imports to be paid for in part by cement) multiply, there would be a definite prospect for some recovery in oil exports in the near future. The latest Anglo-Soviet agreement also provides for exports of consumer goods amounting to about $6 million a year (trial shipments of photographic equipment have reportedly met with considerable success).

The total value of "direct" imports from the United Kingdom (i.e., of home-produced British products) into the Soviet Union, which had increased from $74 million in 1956 to $105 million in 1957, fell to $66 million in 1958, whereas imports of natural rubber which were re-exported from the United Kingdom expanded significantly between 1957 and 1958—from $40 to 79 million. Not only were the possibilities indicated by the Soviet purchasing programme published in April 1956 when the Soviet leaders visited London not realized, but in many cases the 1957-58 figures even show a decrease compared with the earlier years. From 1957 to 1958, imports of rolled copper and copper wire, at $37 million, were maintained, whereas there was a decline in respect of machinery (from $19 to 12 million), ships (from $10 to 5 million) and sugar (from $19 million to nil). Moreover, recently, however, Russian interest in the purchase of complete plants—such as the rubber tyre plant valued at $42 million presently being put up by the British firms and due for completion in 1959—is likely to add substantially to Soviet imports in the near future.
In the absence of full data on the commodity composition of the trade of the centrally planned economies with all the Continental Western European countries, figures are shown relating to their trade with the six Member Countries of the European Economic Community, as measured from the trade returns of the partner countries (which account for about 60 per cent of the total trade turnover of the USSR, Eastern Europe and mainland China with Continental Western Europe). The figures reveal that the export pattern of the Soviet Union and mainland China is quite different from that of the Eastern European countries; manufactured goods in 1958 accounted for about 29 per cent of the value of the latter's exports, as compared with the share of such exports in those from the Soviet Union (23 per cent) and mainland China (20 per cent).

The analysis of developments in trade relations between the USSR, Eastern Europe and mainland China with the non-industrial countries between 1954 and 1956 included in International Trade 1956, brought out that three factors have mainly contributed to a considerable expansion in their reciprocal exchanges: (1) the conclusion of firm agreements for the purchase of specific primary products in return for supplies of machinery and equipment, fuels and completely installed plants, (2) the granting of long-term credits carrying low interest rates and providing in some cases for the acceptance of local currencies in repayment, and (3) the rapid growth in the economic capabilities stemming from the very nature of the structure of the planned economies (e.g., dominance of heavy industry) and from increased emphasis on planned economic collaboration as among the various centrally planned countries (e.g., co-ordination of trade plans through the Council of Mutual Economic Assistance and specialization in regard to the manufacture and export of different types of capital goods). During 1957-58, these three factors continued to operate with even more significant results. Total trade turnover of the area with non-industrial regions increased from $2,000 million in 1956 to $2,600 million in 1958, i.e., by 30 per cent. A notable feature of this trade during 1957-58 has been a somewhat slower expansion in the trade of the Soviet Union, whereas the trade of mainland China and Eastern Europe with the non-industrial countries has expanded more rapidly.

The downward trend in the exports from the USSR and Eastern Europe to Latin America, which has been evident since 1956, persisted in 1958, whereas there was a recovery in the area's imports. The commercial exchanges continued to be concentrated upon Argentina, Brazil, Cuba, and Uruguay. However, on the basis of various trade agreements negotiated during 1958, it can safely be assumed that trade turnover will expand markedly during 1959 if all deliveries are made as scheduled.
The increase in the value of exports (c.i.f.) from the area to the overseas sterling area (from $479 million to $537 million between 1957 and 1958) was solely on account of mainland China. Nearly 85 per cent of the Soviet exports to this area were accounted for by India in 1958 as in 1957 and iron and steel products alone represented three-fourths of the value of total exports to that country. The recent re-orientation in Iraq's trading policies and the further expansion in the Eastern European credits to India ($20 million from Rumania for the construction of a petroleum refinery, $21 million from Czechoslovakia for a foundry plant, and technical and financial assistance from Hungary and East Germany in connexion with aluminium and raw film industries) is worth noting in assessing the prospects for a recovery in Eastern European exports to these two countries.

The major customers of mainland China in the sterling area continued to be Hong Kong, Malaya, Singapore, and Ceylon and exports to these four destinations advanced significantly during 1958. Whereas China's share in Hong Kong's imports of grey cloth in 1955 was negligible, it rose to 80 per cent in 1958 (total textiles imported from China amounted to $41 million as compared with $35 million) and, moreover, there was a significant advance in respect of ready-made apparel at highly competitive prices. Exports to Malaya and Singapore expanded between 1957 and 1958 and here, too, substantial advances were made in respect of textiles, apparel, miscellaneous manufactured consumer goods, such as bicycles, sewing machines and household articles. Besides substantially larger quantities of rice exported to Ceylon under rice-rubber agreements, there was also some increase in respect of textiles, and iron and steel products.

Trade with Finland declined in both directions during 1958. The liberalization of imports in Finland made it possible for the importers, who in recent years were experiencing difficulties in finding suitable imports from the USSR and Eastern Europe, to shift their sources to Western Europe. While both the exports of iron and steel and automobiles fell, there was some increase in shipments of grain and exports of petroleum were almost maintained. Finland is one of the largest buyers of oil from the area and nearly 1.5 million tons of petroleum and products were exported to Finland in 1958.

There was a considerable expansion in trade of Yugoslavia with Poland, Czechoslovakia and Hungary but commercial exchanges with the Soviet Union contracted somewhat. In May 1958, the Soviet Union postponed unilaterally unutilized credits of $244 million (from the $110 million line of credit for the purchase of industrial equipment, of which $41 million were utilized by April 1958 and $175 million credit for the construction of an aluminium combine).
Customs Tariffs

The Report states that "the most outstanding development in the field of customs tariffs in 1958 is to be seen in the efforts of countries to achieve certain forms of regional integration and to bring into existence larger economic units by the creation of customs unions or free-trade areas".

The Report then outlines developments arising out of the establishment of the European Economic Community. It also states that progress towards regional integration was achieved in Central America by the conclusion of the multilateral Central American Free-Trade Agreement.

Turning to preferential arrangements the Report stresses the importance of the Commonwealth Trade and Economic Conference held in Montreal in September 1958 and of the new agreement between the United Kingdom and New Zealand, of 25 November 1958. In the field of preferential arrangements changes in the relations between the United States and the Philippines are also noted.

Under Tariff Reforms it is stated that "the number of tariff reforms carried out or to be carried out in the near future in Europe is still considerable since most European governments intend to introduce the Brussels Nomenclature". Particular reference is made to the Federal Republic of Germany, Italy, Austria, the United Kingdom, the Nordic countries and Switzerland. Reference is also made to tariff revisions or proposed revisions in El Salvador, Guatemala, Cuba, Panama, Argentina, Bolivia, Paraguay and Venezuela, as well as Iran, Laos, New Zealand and Ghana.

Under Reductions of Individual Import Duties the Report states that "the most far-reaching action in this field resulted from the tariff negotiations held in Geneva during 1958 with Brazil and Switzerland", respectively. In the case of Brazil a new schedule of tariff concessions was established. In the case of Switzerland the conclusion of the negotiations in November 1958 led to the provisional accession of Switzerland to GATT.

"During 1958 some countries agreed to extend more favourable treatment to Japanese goods than before; India and New Zealand concluded general most-favoured-nation agreements with Japan, and similarly, Cuba with some exceptions. France decided to apply most-favoured-rates on certain products imported from Japan".

MORE
The Report states that "a number of duty reductions on industrial raw materials and equipment for assisting industrial development and production were brought into effect in the period under review. Such measures have been applied in particular by the developing countries in order to promote industrialization". Examples are given.

Reference is made to reductions of import duties in the interest of education and public information and a number of instances are cited.

Turning to Increases in Individual Import Duties the Report states that "In 1958, tariff increases for the protection of domestic industries and production revealed the difficulties which certain industries encountered in this period. The increases in the interest of the textile industry were most numerous, indicating that a certain instability of the textile markets still prevailed in 1958. Examples relating to Canada, Chile, New Zealand, Pakistan, Rhodesia and Nyasaland, El Salvador, Venezuela, Syria, Tanganyika and the Union of South Africa are cited. The Report adds that "The tariff increases in the interest of other industries affect a great variety of products and do not reflect any general trend".

"A number of tariff changes which took place in 1958 revealed the tendency to grant additional protection against low-priced products. Such measures often resemble anti-dumping duties but are distinguished from them by the fact that they are generally applied on all products", the Report states.

"New legislation or amendments to existing provisions regarding anti-dumping and countervailing measures were brought into effect in 1958 by a large number of countries... Considerable changes in existing legislation were carried out in Canada, the Union of South Africa and the United States". "The countries which resorted most to anti-dumping duties in the period under review were Australia, Canada, Rhodesia and Nyasaland and the Union of South Africa".

On the subject of Export Duties, "the tendency towards reductions and suspensions of export duties which has prevailed for many years was maintained in the period under review. This tendency is the result of the downward trend of prices in several commodity markets which continued well into 1958".

Under the heading of Customs Formalities, the Report sets out developments covering documentary requirements, consular formalities, certificates of origin, valuation for customs purposes, temporary importation, free zones and free harbours, transit agreements, and marks of origin.

Quantitative Restrictions

After reviewing the gradual improvement after 1953 in the international payments situation, the Report states that "the process of improvement was temporarily halted in 1957 when payments by the rest of the world to the dollar area rose sharply on account of various abnormal factors, such as the effects of the Suez crisis, sharply increased demand for wheat, cotton and other agricultural products and excessive inflationary tendencies in certain countries...". MORE
"In 1958, as in the preceding years, the increase in reserves was concentrated in industrial countries, particularly those in Western Europe, while for primary producing and under-developed countries as a whole, there was a decline in their total holdings. The strong financial position that was attained by Western European countries in 1958 reflected their strong economic position which had been built up in the preceding years and which was now being consolidated. Apart from the cessation of economic expansion and the lessening of inflationary pressures in these countries, an important contributing factor in their improved payments position has been the marked improvement in their terms of trade vis-à-vis the primary producing countries; whilst the volume of imports remained level, the fall in commodity prices was sufficient to cause a substantial fall in the value of their imports".

"These developments in 1958", the Report states, "made possible the realization of a long-cherished step in the direction of freer, multilateral payments and trade. At the end of 1958 and early in 1959 most countries of Western Europe established external or non-resident convertibility for their currencies".

The Report states, however, that "in spite of the decrease or disappearance of the financial need for the maintenance of import restrictions in certain countries, there remains a substantial area of import restrictions applied by contracting parties to GATT for reasons which are not associated with their balance-of-payments situation. Certain countries which have ceased to claim the right to use restrictions for financial reasons have, nevertheless, retained restrictions on a large number of imports, many of which are in the agricultural sector. Restrictions are also applied in certain cases in connexion with internal price or income support measures or for protective reasons.

"As regards the balance-of-payments and monetary reserve position of the primary producing and under-developed countries, the trend that had become manifest in the preceding years continued in 1958. Their reserves on balance declined further and many of them continued to be faced with problems of inflation. World prices for primary commodities had been declining through 1957 and the decline had been particularly sharp for industrial materials. It has been estimated that the decline in prices, combined with certain declines in the volume of exports, reduced export receipts of primary producing countries as a whole by some six per cent of the level of 1956/57. Throughout 1958 commodity prices remained weak and relief was not seen until towards the end of the year. While their terms of trade deteriorated, import demand arising from development requirements remained high and in some cases the servicing of foreign debt also placed an additional burden on the balance of payments. International lending has enabled certain primary producing countries to maintain imports at a higher level than they could have otherwise afforded. In general, however, countries with insufficient foreign exchange resources to enable them to cope with the temporary pressures until internal monetary and fiscal measures had had time to take effect, tightened their restrictions or, in certain cases, allowed free exchange rates to depreciate".

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Export Promotion

"Recent years have witnessed a return to world marketing conditions in which buyers' 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 Report classifies them under the broad headings of subsidies, export incentives and programmes for the disposal of surplus stocks.

"The use of subsidies is widespread in the field of agriculture .... In the main, they are not aimed at increasing exports, although the more profitable conditions of production tend to build up surpluses which it is then found necessary to export. While such subsidy arrangements are not originally designed to increase exports ... the principal aim of governments, which is one of protection, is achieved by giving the domestic industry a larger share of the home market than it would have in the absence of government support".

"The subsidization of manufactured goods by payments to producers or exporters is much less frequent than in the agricultural field - though, as for agricultural goods, the same tendency for increased resort to outright export subsidies is apparent".

"Article XVI of the GATT requires contracting parties to submit annual notifications describing the nature and extent of subsidies maintained by them which have the direct or indirect effect of reducing imports or increasing exports ..... An examination of notifications received in 1958 suggests that no major changes have occurred in the past year in the policy of government subsidization, although some adjustments have been made in the products benefiting and in the amounts of subsidy granted and there is an increasing tendency to resort to outright export subsidies".

Regarding export incentives the Report states that "in addition to subsidy payments, there are many and varied governmental measures which have the effect of stimulating export trade without invoking any direct payment by the government to exporters". These are examined under the headings of currency retention schemes, multiple currency practices, credit facilities, export credit guarantees, tax refunds, trade promotion measures in Asia and the Far East, other trade promotion measures.

Disposal of Surpluses

"Stocks of surplus products, accumulated as a result of government support of agricultural prices and income, remain at a high level. The tide is being resisted - in some areas - by action tending to reduce production and by the disposal of accumulated surpluses through special export programmes. The existence of these stocks tends to depress world prices; massive disposals, of course, could create chaotic conditions", the Report states.

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Aggregate world stocks of agricultural products at mid-1958 showed little change from a year earlier. According to the calculations of the FAO, they were estimated to be equivalent to about 10 per cent of world agricultural production. About three quarters were located in North America.

Wheat stocks fell some 5 million tons (10 per cent) during 1957/58 but are likely to rise sharply in 1958/59. Stocks of coarse grains in North America rose by over a quarter to the record level of over 60 million tons and are likely to rise further in 1958/59. Stocks of cotton in the United States, however, have been reduced by some 40 per cent from peak levels in mid-1956. There was a renewed rise in world stocks of butter in 1957/58 and a further rise in stocks of coffee, after a temporary decline in 1956/57.

In the United States surpluses of agricultural commodities remain at high levels, despite significant moves towards production adjustments and active disposal programmes. The Report examines these developments in some detail. The Report also examines briefly the surpluses of several dairy products in Canada.
PART THREE

Activities of the CONTRACTING PARTIES
to the General Agreement on Tariffs and Trade

This part of the Report provides a survey of the work of the CONTRACTING PARTIES from June 1958 to June 1959. Special sections refer to expansion of trade, regional integration, quantitative import restrictions, special studies (subsidies, State-trading, anti-dumping and countervailing duties, restrictive business practices), tariff changes affecting obligations under the General Agreement, settlement of differences, other questions, and new participants in the work of the CONTRACTING PARTIES.

By way of introduction to Part III, the Report states that during this period "the CONTRACTING PARTIES initiated an important programme to promote the expansion of international trade. As part of that programme they have decided that another conference for the negotiation of tariff reductions will be held in 1960 and that agricultural policies and the effects of agricultural protectionism will be closely examined in a series of consultations with each country adhering to the General Agreement ... Progress made in the implementation of the programme will be reviewed at the next session of the CONTRACTING PARTIES, which is to be held at Tokyo beginning on 26 October 1959".

The Report adds that "the work of the CONTRACTING PARTIES has greatly increased, necessitating numerous meetings of committees and panels which have been set up to deal with special problems affecting trade between nations, including those which affect the trade and export earnings of the less developed countries".