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GENERAL AGREEMENT ON TARIFFS AND TRADE

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International Trade 1959 has three parts: the first part analyses Recent Trends in International Trade; the second part deals with Recent Trends in Commodity Trade; the third part examines the Trade of Areas and Countries. There is an Appendix containing Notes on Sources and Methods.


MORE
PART ONE

RECENT TRENDS IN INTERNATIONAL TRADE

Developments in the Structure and Pattern of International Trade during 1959

Value and Volume of International Trade

Following the sharp decline in the first half of 1958 and the recovery which was already visible in the second half of that year, the value of world exports (excluding United States "special categories") continued to grow in 1959, and established a new all-time record - well exceeding, at about $103,000 million, the preceding high point it had reached in 1957. Comparing yearly figures, the value of world trade stood in 1958 at about 4½ per cent below that of 1957, but gained over 6 per cent in 1959.

If the effect of price changes is eliminated, the difference between the fall from 1957 to 1958, and the rise in the following year is even more pronounced. When expressed in constant prices, the drop to 1958 was much smaller than in value, since prices fell by 3 per cent, leaving only 1½ per cent to be accounted for by lower volume. Similarly, since prices again fell by 2 per cent in the following year, the increase in volume was larger than in value, reaching about 8 per cent. It is noteworthy that the absolute gain in the volume of world exports was, with only one exception (1954 to 1955) the largest on record during the 1950's.

This remarkable performance has been accompanied by a further rise in the volume of world trade in relation to the volume of world commodity output. In 1959, the latter was 6 per cent higher than in 1958, thus recording an increase at a rate only three quarters that of world trade. At the same time, however, industrial world production rose 11 per cent - a circumstance mainly explained by the fact that the bulk of the 1959 increase in industrial production occurred in the United States, whereas the exports of that country made only a very minor contribution to the growth in world exports. (Page 5)

Trade between Industrial and Non-industrial Areas

The strong recovery in world economic conditions was accompanied by a number of notable features as regards trade within and between the industrial and the non-industrial areas, respectively. The total drop, which was by about $4,500 million in 1958, and the subsequent increases in the value of world exports by about $6,000 million in 1959 were the result of the changes in various areas. MORE
The following aspects are particularly emphasized:

(i) the very large fall in exports from North America between 1957 and 1958 and their failure to recover significantly in 1959;

(ii) the gain, if only moderate, in the European Economic Community's exports in the first period when the value of world trade dropped substantially and the very large progress made in the second;

(iii) the substantial decline in the European Free Trade Association's exports in 1958, about evenly divided between industrial and non-industrial destinations, and the moderate recovery of 1959, in spite of a further drop in supplies to non-industrial areas;

(iv) the fact that in 1958 it was only the EEC, and in 1959 only Japan, that was able to achieve an increase in exports to non-industrial areas;

(v) the fact that the non-industrial areas imported less from the industrial countries in both 1958 and 1959, and that in 1958 this loss of imports closely matched the reduction they suffered in exports to industrial destinations.

The long-term tendency for the value of exports of non-industrial to industrial areas to rise less than world exports as a whole, appears to have come to a halt, in spite of a low level of prices for primary products. On the other hand, the imports which the non-industrial areas received from the industrial countries have suddenly dropped in relation to world trade. As a result, the trade deficit of the non-industrial areas, which had been of the order of $2,600 million (f.o.b.) in 1957 and 1958, practically vanished in 1959. But whereas this decline in the import surplus might be welcomed from a short-term financial point of view, it reflects, since it was brought about not only by larger exports but also by smaller imports, a decline in foreign supplies to the non-industrial areas, the continued flow of which is an indispensable condition for sustained improvements in the standard of living in the developing countries.

Problems selected for Special Study

The following is a list of subjects which have been selected for special study in International Trade 1959:

A. A detailed analysis of the recent development of trade between the industrial and non-industrial areas, including the effects of divergent price movements of manufactured goods and of primary products, as well as the repercussions of fluctuations in export earnings of the primary-producing countries upon exports and production of manufactured goods in the industrial countries.
B. The rapid growth in the trade deficit of the developing areas, and its sudden disappearance in 1959, partly due to lower imports, emphatically pose the problem of financing the economic development of the regions which at present are still more or less under-developed. In particular, the question arises whether, and to what extent, the earnings from increased exports to the industrial areas can supply the necessary capacity to import the tools of economic development, and if not, how large the problem of residual financing through capital transfers is likely to be.

C. Recent developments in the balance-of-payments position of the United States and their implications for the further growth of world trade are discussed. (Pages 9-10)

A. Analysis of Trade between Industrial and Non-industrial Areas: Repercussions of Fluctuations in Export Earnings of Primary Producing Countries

The principal features brought out by the analysis provided in this part of the Report are as follows:

1. The non-industrial areas exported to North America and Western Europe during 1953-58 on an average about 11 per cent of the volume of their food production and about 40 per cent of their production of agricultural raw materials and mining products, which, respectively, accounted for almost one tenth and one fourth of the consumption in the industrial areas. North America and Western Europe exported 6 to 7 per cent of their manufacturing production to the non-industrial areas, which covered about one third of the consumption in the latter.

2. Despite great diversity among non-industrial areas in their exports to industrial areas, North America and Western Europe taken together gradually increased their import volume of primary products from non-industrial areas since 1953. This was caused by a 20 per cent increase in Western Europe's import volume, while North America's was below the 1953 level except in 1957. The decline in the value of imports which occurred in 1958 was caused by a decline in prices, not in volume.

3. A few major commodities like coffee, petroleum, cotton, wool and copper seem to have determined the relative growth of imports from the various non-industrial areas. Some of these commodities, however, developed differently according to export area, a fact which must have been largely caused by market forces such as price and taste.

4. The hypothesis set forth in earlier GATT annual reports concerning a smaller increase in export proceeds of the semi-industrialized than of other primary-producing countries seems to be confirmed also for the period 1953-58. On the other hand, general demand factors appear to have been of greater importance than the shelter some areas enjoy as suppliers to closely associated industrial markets.
5. The greater increase in Western Europe's imports of primary products from North America as compared with imports from the non-industrial areas may have been caused partly by the greater availability of certain commodities from North America as compared with other suppliers.

6. For the period as a whole, exports of manufactured goods to the non-industrial areas grew much faster both in value and in volume than the industrial areas' imports of primary products. North America suffered a 15 per cent decline in its exports in 1958 while Western Europe's increased slightly even during that year. Since 1956, there was a steeper increase in the unit values of American than of European exports. Up to 1957, exports of all major classes of manufactured goods except textiles, increased, with the greatest rise in chemicals, base metals and engineering products. Exports and imports alike developed unevenly with regard to different non-industrial areas, but were not necessarily correlated.

7. The share of imports of manufactured goods from North America and Western Europe which non-industrial areas as a whole could finance from current income fell during 1953-58 from about 90 to about 65 per cent. The increasing deficit was balanced by an increase in capital transfers of about $4,500 million of which more than $2,500 million were official donations and official and private long-term capital made available by the industrial countries.

8. The increasing share of exports of manufactured goods financed by capital transfers added during 1953-58 about $3,000 million at 1953 prices to the exports of the industrial areas. During the same period the increase in export earnings of the primary-producing countries raised the volume of exports only by $1,000 million. Thus, the increase in capital transfers cushioned the repercussions of the relative decline in export earnings of the non-industrial areas on exports and production of the industrial areas, especially in Western Europe, where the increase in capital transfers, which came mostly from the United States, had a clearly positive effect on activity in manufacturing industries.

9. Changes in the terms of trade gave North America and Western Europe an increase in real national income which can, for the period as a whole, be roughly estimated at about $2,800 million at 1953 prices. At the same time, however, the changes in terms of trade decreased the import capacity, and probably also on imports, of the non-industrial areas by about $1,700 million, resulting in a net gain from improved terms of trade for the industrial areas of about $1,000 million. (Pages 33-36)

B. Trade Developments and Economic Progress of the Non-Industrial Areas during the 1950's and Prospects for the Future

1. Trade Position

Analysing the trade position during the 1950's, the Report states that the most conspicuous trend in the trade development of the non-industrial countries over the past decade has been the continuous widening of the trade gap since the
end of the Korean boom, which had by 1958 assumed an alarming magnitude. In the face of a relatively slow development of export incomes, the widespread and considerable growth in import expenditures during the 1950's was responsible for mounting trade deficits. The growth in imports reflected the marked increase in the volume of investment and the expansion in secondary production. Besides substantial imports of capital goods and raw materials for industry, the low-income countries also imported large quantities of foodstuffs to meet food requirements of their growing populations which could not be met from domestic sources. Notwithstanding the substantial growth in domestic production of manufactured goods (by about 50 per cent during the 1950's), the total import expenditures on consumer goods were almost maintained.

Despite the attainment of a high annual rate of growth in the 1950's, about 3.8 per cent - in the gross national income, which was much more than what was achieved in the 1930's and the 1940's, the average per caput income of the less-developed countries rose from $103 in 1950 to only about $119 in 1958, because during this period the total population of these countries expanded by about 200 million, or by 2 per cent per annum. This is illustrated in the following table (data in respect of national incomes and population must be regarded only as estimates):

<table>
<thead>
<tr>
<th></th>
<th>1950</th>
<th>1958</th>
<th>Annual rate of increase 1950-58 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population of low-income countries¹</td>
<td>999 million</td>
<td>1,171 million</td>
<td>2.0</td>
</tr>
<tr>
<td>Gross national income</td>
<td>$102,900 million</td>
<td>$136,700 million</td>
<td>3.8</td>
</tr>
<tr>
<td>Per caput national income</td>
<td>$103</td>
<td>$118.5</td>
<td>1.8</td>
</tr>
</tbody>
</table>

The vital need for a rapid acceleration of the pace of economic growth of the non-industrial countries in order to raise standards of life from their present near-subsistence level has now come to be universally recognized as one of the major challenges the world faces in the new decade. Some idea of the magnitude of this task can be gained from the simple fact that, even in order to achieve a growth in the per caput income of the non-industrial countries from their present (1960) estimated figure of about $120-125 to $160 by 1969, their annual per caput rate of economic growth of 1.8 per cent in the 1950's has to be raised to 3.2 per cent during the 1960's. The fulfilment of this goal, of course, creates capital requirements far in excess of what the low-income countries are currently saving or investing. (Page 37)

The Report reviews the major trading results of the last decade in the context of the overall problems of capital requirements and economic growth of the developing countries and comes to the conclusion that the persistent tendency for aggregate import expenditures to continue far in excess of such

¹ In addition to the main petroleum exporting countries, Australia, New Zealand and the Union of South Africa are excluded.
import capacity as is generated by actual exports, especially since the mid-1950's, constituted the most striking and at the same time the most disturbing feature of the trade developments in the course of the last decade. The shipment of import goods larger than could have been financed by export earnings alone was made possible by substantial capital inflow, especially in the form of inter-governmental loans and credits and also by drawings on foreign exchange reserves. Though the deterioration in the balance-of-trade position during the 1950's was to a large extent cushioned by the supply of loans and aid, the accumulation of foreign claims and the burden of servicing debts which these substantial inflows themselves involve, are factors which may give rise to serious stresses and strains in the future course of trade and payments. While unprecedented massive amounts of investment aid, largely in the form of capital goods, would no doubt continue to be vitally needed to push forward the economic development of the non-industrial world, the problem of achieving a manageable trade balance in the 1960's would remain no less important. (Page 40)

2. Nature of Capital Movements and their Contribution to the Growth of Imports during the 1950's

After analysing the contribution of net capital flows to the low-income countries' capacity to import the Report concludes that during the 1950's, the major part of the inflow of official and banking capital was made up of United States funds and of disbursements by the international institutions (the contributions of the United States to these agencies accounting for a substantial part of their lending resources). The aggregate total of the private capital flow (including re-invested profits), governmental assistance and multilateral economic aid to the low-income countries (as defined in the present section) ran at an annual level of about $5,000 million during 1956-58. Official grants alone accounted for about $1,500 million, originating mainly in the United States and directed to a limited number of countries. The disbursements of loans were more evenly distributed. Without going into any detailed examination of the operating policies and loan criteria of existing lending institutions, it can safely be assumed that long-term credits carrying low interest rates and which could be repaid in local currencies were in extremely short supply during the 1950's. At the beginning of the new decade of the 1960's, however, there are hopeful signs that there might be greater availability of international financial assistance with the doubling of the capital resources of the World Bank, the 50 per cent increase in IMF quotas and the imminent inauguration of operations by the International Development Association and the Inter-American Development Bank. In view of the adverse pressures on the United States balance of payments, there is some concern at the burden of external economic assistance which it can carry during the 1960's. On the other hand, there is a widespread recognition that virtually all the industrialized countries which are now in a position "to devote their energies to furthering the development of less-developed countries" should pursue "trade policies directed to the sound use of economic resources and to the maintenance of harmonious international relations". (Pages 48-49)

1 Communique issued on 21 December 1959 by the Heads of State and Governments of France, the United States, the Federal Republic of Germany, and the United Kingdom.
3. Total Capital Needs and Import Requirements for Accelerated Economic Growth

The experience of the 1950's clearly demonstrates that the low-income countries were not able to satisfy all their import requirements of manufactured goods including the tools of economic development from their export proceeds alone, and their capacity to import had to be supplemented by a substantial inflow of capital. If the rate of increase in per caput income in the new decade is to be higher than what it was during the 1950's, the demands on domestic and foreign resources would be even greater.

Any consideration of the total capital requirements for the attainment of specific rates of growth in all low-income countries combined involves a high degree of abstraction, not only because such requirements depend in each country on the development already achieved, but also because different investment sectors bear a different relationship to rates of income growth. The calculation of capital requirements in global terms is therefore largely an arithmetical exercise for the purpose of conveying a rough indication of the magnitudes involved and provide a broad framework for the discussion of trade and development problems. (Page 49)

The attainment of an increase in per caput average income of 3.2 per cent per annum during the 1960's as compared with the 1.8 per cent increase during the 1950's would, on two assumptions regarding the marginal capital-income ratio and allowing for an annual population increase of 2 per cent entail progressively growing total capital requirements. It is further assumed that the net savings capacity of the low-income countries is about 7 per cent of their income in 1960 and that 25 per cent of all additions to per caput income are saved. Supposing the marginal capital-income ratio to be 3:1 - a figure which has come to be widely used in current literature - then $12,500-$13,000 million of foreign capital, a fairly constant amount, would be required each year to make up for the shortfall in domestic savings in relation to the investment necessary to reach the postulated rate of income growth during the 1960's. If, on the other hand, and maintaining all other assumptions, the marginal capital-income ratio is put at 2.3:1, a figure used in India's Second Plan, then requirements of foreign capital would not only be much smaller throughout the decade, but also progressively decline, from $7,400 million in 1960 to $4,100 million in 1969. The assumption made in respect of domestic savings - implying as it does that one quarter of all additions to per caput income would be set aside - is certainly not unduly modest. On the other hand, the rates of savings assumed reflect the vital need for mobilizing all available domestic resources. These amounts of foreign capital (whether in the form of private investments, institutional or inter-governmental aid) do not, however, include the foreign exchange requirements for the maintenance of their debt-servicing capacity.

Assuming (i) that the continuation of the average annual rate of growth in the volume of imports of the 1950's - about 5 per cent - would only be sufficient to maintain the rates of economic growth attained in the past decade
(3.8 per cent for national, and 1.8 per cent for per caput income) and (ii) that the capital required from external sources to supplement domestic capital formation with a view to raising per caput income to $160 by 1969, if forthcoming, would take the form of imported supplies, the estimated total import expenditures during the new decade would rise progressively from $34-40,000 million in 1960 to $47-55,000 million by 1969 (at c.i.f. prices of 1960). (Pages 51-52)

4. Prospects and Problems of Trade Expansion

The crux of the problem is how imports of such a magnitude can be financed. Capital transfers, such as have been assumed, would, if forthcoming, meet the additional import needs for acceleration of the development process. However, the necessity of capital transfers would, irrespective of such acceleration, also arise insofar as their export proceeds do not expand sufficiently to cover those import requirements which even the slower rate of income growth would call for. In view also of the additional servicing obligations which would result from any growth of external indebtedness and cause a serious burden on the balance of payments, the low-income countries must, in the last analysis, place main reliance on an expansion of exports.

The capacity to import has for the low-income countries critically depended on the exports of their primary products to the industrial countries and will obviously continue to depend to a large extent in future on such demand as will be emanating from these regions. The question of the prospects for this demand therefore arises. While some expansion in the volume of imports of primary products is implicit in the future growth of manufacturing production in the industrial countries (where about nine-tenths of the world's total industrial capacity is at present located) it is equally certain, in the light of the experience of the 1950's, that such imports would not rise proportionately with the advance of the industrial economies. Thus, the paradox facing the low-income countries is that, while they cannot raise their output and real incomes without a substantial growth in imports from industrial countries, the industrial countries have been able to raise output and incomes with a diminishing proportion of imports from primary-producing countries. (Pages 52-53)

The long-term market prospects for primary products have been examined in considerable detail in International Trade 1956. That examination resulted in the conclusion that the long-term prospects for imports of raw materials were not very favourable, in spite of the high rates of growth in GNP assumed to occur in the industrial countries during the twenty years following 1953-55.

After comparing the estimated market prospects for primary products which were made in International Trade 1956 with the present estimates, the Report states the comparison serves to indicate that the growth in actual earnings derived from the exports of primary products to industrial markets that may be envisaged during the 1960's is likely to be relatively moderate. Great importance therefore attaches to the prospects for exports of manufactured goods from the non-industrial countries. It is evident that, with the further diversification
in the structure of developing economies, some of them at least would be increasingly equipped to supply international markets with simple kinds of manufactured goods on competitive terms. Among the low-income countries, exports of manufactured goods are at present of major importance only for India and Hong Kong, and to a much lesser extent for Pakistan, Argentina, Brazil, Mexico, Yugoslavia and Egypt, whereas exports of processed goods (e.g. refined metals) are of real or potential importance to many non-industrial countries.

Most of the "semi-industrialized" countries, having succeeded in satisfying a sizeable proportion of their need for manufactured consumer goods from domestic sources, are now entering a phase in their industrial development where they can look forward to increasing capacity to export new items such as cement, rayon textiles, diesel engines, bicycles, hardware items, and a wide range of light engineering products. While the prospects for growth in exports of manufactured goods from these countries is conditional upon the attitudes and policies of the industrial countries, the magnitude of the task of organizing for export of industrial products facing the developing countries is substantial indeed. (Page 55)

The bulk of manufactured goods exported by India, Pakistan and Hong Kong is accounted for by textiles, the world demand for which has been stationary. In regard to their most important customer, the United Kingdom, where they enjoy duty-free access, the Asian suppliers are already subject to quota restrictions which have been mutually agreed upon and their sales to some other industrialized countries are limited by unilateral import quotas. While the emergence of competition from new suppliers is apt to create difficulties in certain cases in industrial countries, it is equally clear that the developing countries should be able to look forward to steadily expanding markets for the manufactured goods they are able to export, and that any success they may be able to achieve in new export markets should not lead to the imposition of restrictions. While not underestimating the importance of the difficulties which arise in industrial countries from the necessity to adjust their industrial and labour resources to the new situations which would accompany the influx of competitive imports, the fact, however, remains that such adjustments are necessarily implicit in the growth of international trade based on a fruitful international division of labour. On the other hand, it would be unrealistic to envisage a continued economic growth for at least some developing countries (India at its present level of development is a classic example) without a growing volume of exports of their manufactured goods. (Page 56)

C. Recent Developments in the United States Balance of Payments, with particular reference to the Merchandise Account

The extraordinary situation which prevailed in the early post-war years when the United States was the only major country capable of supplying manufactured goods in large quantities and within short delivery periods has in recent years at least been overcome. The remarkable recovery in other industrial economies has brought forces into play which have eliminated the apparent "dollar shortage".

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However, the correction in the dollar position of the rest of the world appears to have gone too far, as testified by the substantial gold losses suffered by the United States in 1958 and 1959. This development would seem to be attributable to the fact that, in addition to the gradual restoration of a more even geographical pattern of manufacturing production and of world trade, several special factors have influenced the United States balance of payments. Among these, the rise in United States import demand for manufactures (especially automobiles), the slowing down in the growth, or even the decline, of activity in other industrial countries, the lesser resilience of the American economy during the 1957/58 recession as compared with earlier fluctuations, and the steel imports necessitated by the strike of 1959, contributed to bringing about the current difficulties in the balance of payments of the United States. Some of these special circumstances have already subsided and others may well cease to apply, as is evident from the turn for the better which has occurred in the early months of 1960. (Pages 56-57)

The Report deals briefly with only a few aspects of the merchandise account of the United States: the effects of liberalization of dollar imports as exemplified by United States exports of machinery and other manufactures to Western Europe (page 70-71); the role of the United States in world markets for primary products (page 72-73); and the relative position of United States as compared with Western European manufactures in third markets. (Page 76)

With regard to United States supplies of primary products which, it will be remembered, accounted in 1948-59 on the average for no less than three fifths of the total value of exports to Western Europe, there seems, however, to be little evidence of any clear-cut dependence of United States exports on United States prices in relation to prices for supplies from other sources. The Report points out that the prices of primary products which the United States typically supplies, such as wheat, maize, tobacco, cotton, oilseeds and vegetable oils have since 1953, after the Korean boom had subsided, shown a constant tendency to fall in relation to the prices of primary products in general. For greater exports of primary products - mainly foodstuffs, in respect of which, in the words of one expert, the "long-run economic possibilities for expansion are extremely large" - to make a significant contribution to United States export proceeds, without jeopardizing those of other suppliers to the European market, it would be a necessary condition that agricultural protectionism in Western Europe be moderated. (Page 73)

Of total United States imports from all sources other than Canada, about half is accounted for by a relatively few primary products - almost entirely originating in the Rest of the World. On the average of the years 1948-59, the value of imports of coffee, cocoa, tea, bananas, sugar, rubber, jute (including manufactures), wood, petroleum (including products), precious stones, iron ore, copper and tin was about $4,500 million while total imports from foreign countries (excluding Canada) had an average value of $8,700 million. At the same time the United States accounted in, say, 1953 for nearly 40 per cent of world imports of the primary products listed. It is therefore to be assumed that business conditions and incomes in the United States play a prominent rôle in world markets for these products. This assumption is borne
out by comparing year-to-year changes in the average United States import price of these commodities with year-to-year changes in United States manufacturing production. A fairly clear relationship emerges which indicates that variations in United States manufacturing production levels affect the relative prices of the commodities considered. For instance, the 12 per cent increase in production which occurred between 1954 and 1955 was accompanied by an increase in the relative price of the selected commodities by 8 per cent (which was the result of an absolute increase in their prices by nearly 10 per cent and an increase in the prices of primary products in general by only 2 per cent). This relationship serves as an illustration of the special stake that producers of the selected commodities have in continued growth of the United States economy. (Pages 74-76)

The bulk of supplies of the United States to the Rest of the World consists of manufactured goods. It is obvious that in third markets competition with Western Europe must be expected to be sharp. The investigation contained in the Report has been confined to a comparison of the ratio of United States export prices to those of Western Europe with the ratio of volumes (i.e. values at 1953 prices) exported from the United States and Western Europe. The result bears out the expectation of sharp price competition. In spite of the fairly systematic influence which relative prices appear to have exercised upon relative volumes (or market shares), exports of manufactures to the developing parts of the world are closely linked to credit facilities and capital transfers, both public and private. To that extent, the world market for manufactures, and particularly capital goods would, given the liquidity problems that face the developing countries, continue to be highly responsive to the flows of international development capital. (Page 76)

In concluding this section the Report states that the United States has, in spite of the sharp contraction in its trade surplus during the closing years of the 1950's been by far the most important contributor to the flow of development funds. It is clear that other industrial countries with their enhanced capabilities now have an opportunity to play a more important role through increased contributions which would alleviate the problems of the developing countries. In so far as Western Europe seizes this challenging opportunity, by adopting forward-looking policies in the field of international trade and economic assistance, such a course would sustain a rapid further growth, not only in the Western European countries themselves, but also in the world economy at large. In addition, the present upsurge in economic activity, which has in many industrial countries even made for definite labour shortages, would facilitate the reduction of existing impediments to imports, especially of manufactures from all sources, thus opening brighter prospects for improved export earnings of the developing countries and for the restoration of a better equilibrium in the trade of the industrial countries among each other and with the non-industrial world as well. (Page 77)
PART TWO

RECENT TRENDS IN COMMODITY TRADE

Changes in the Composition of International Trade and Movements in the Main Trade Flows 1953-1959

Except for an interruption in 1958, the total value of world exports registered increases in every year in the period 1953-59. However, the fact that the 1959 figure was slightly above the previous peak of 1957 was entirely due to the rise in manufactures, as trade in primary products in 1959, although about $2,400 million higher than in 1958, fell some $600 million short of the value registered in 1957. The value of manufactures exports in 1959 was by contrast, at about $52,900 million, an estimated $4,000 million larger than in 1958, and about $2,800 million larger than in 1957.

Over the last few years, i.e. in the 1953-59 period, average world export prices of primary products fell roughly as much as those of manufactures rose (by about 5½ and 7 per cent, respectively). In combination with an increase by over 50 per cent in the physical volume of manufactures, while primary products rose by about one third only, these opposite price movements led to a total value increase of manufactures by about 63 per cent in the last six years and in primary products by about 24½ per cent (in absolute terms by about $20,200 million and $8,100 million, respectively). Consequently, the relative share of manufactures in total world exports - in 1953 about 46½ per cent - rose continuously, reaching about 53 per cent in 1959. In the most recent period, i.e. between 1956 and 1959, there was a 7 per cent increase in the volume of exports of primary products, but as export prices were on the average slightly lower than in 1958, the total value increase was by about 5 per cent. In respect of manufactures, on the other hand, the average export price of which remained unchanged, there was in 1959 an increase by about 6 per cent both in terms of value and volume. (Page 79)

The total rise in manufactures exports between 1958 and 1959 was mainly the result of higher values in exchanges among industrial countries, but their imports from primary producers also contributed to this rise. By contrast, there was a fall in 1959 in imports of manufactures by non-industrial countries, affecting both their imports from industrial sources and, though considerably less, the trade among themselves. (Page 81)

A. Primary Products

The revival of import demand in 1959 had the effect of substantially improving the export earnings of the primary-producing countries combined, and especially of those among them which depend mainly on proceeds from fibres, rubber, tropical timber, hides, metals and certain vegetable oils and oilseeds. Since the export prices were on the average for the year as a whole still slightly lower than in 1959, and moreover, the non-industrial countries did not import a larger quantum than in 1958, the movement towards larger export earning was the result essentially of the larger volume of imports of primary products into industrial countries. (Page 83)
1. Foodstuffs

International trade in foodstuffs which is highly concentrated on a few staple commodities, moved only very little in total value in the period 1957 to mid-1959. (Page 86)

The present level of international trade in grains essentially reflects the policies in importing countries designed primarily to maintain a desired level of income for their own agricultural producers. Among the many internal measures taken to implement these policies may be mentioned direct price supports, subsidies for the acquisition of agricultural machinery, feedingstuffs and fuel, mixing regulations, subsidies to bakers and other users to compensate for the high price of domestic cereals, etc. These and other schemes are as a rule supplemented by external commercial policy restrictions such as tariffs, quotas, import taxes, bilateral contracts and import monopolies. In such circumstances the ordinary market forces, such as price and quality, have been reduced to playing a less important rôle in the grain trade. Exporting countries have, in order to facilitate their exports, and to counteract the effect of internal subsidies and import restrictions, adopted various measures such as the disposal of grains through governmental marketing boards, sales on concessional terms or at favourable exchange rates, barter or bilateral agreements, supplemented in many cases by price supports paid to producers. (Page 89)

The considerable rise in the quantity of coffee trade in 1959 was occasioned by a revival in demand both for consumption and re-stocking, spurred by declining prices. Imports rose sharply in the United States, the common market area and Canada, and among other countries the growth in the United Kingdom deserves special attention. Exports from Brazil in 1959 were about 40 per cent bigger in quantity than in the preceding year, mainly on account of larger shipments to the United States and to the common market countries in Europe. In spite of the drop in prices, export earnings were 7 per cent larger than in 1958. (Page 94)

The total quantity of cocoa beans exported in the first half of 1959 was about 17 per cent larger than in the same period a year earlier, a reversal of the movement between 1957 and 1958. In spite of a decline in the average price by some 6 per cent, which was the net result mainly of an even larger drop in unit values in Ghana and Nigeria and a rise in Brazil, the total value of cocoa beans exports was consequently slightly higher in the beginning of 1959....The USSR, which had been a large customer for Ghana cocoa in 1957 (imports of about 36,000 tons out of total exports from Ghana of 265,000 tons) took almost no cocoa from that source in 1958, but switched its purchases over to the French Cameroons. In 1959 the USSR resumed imports from Ghana, although at a much lower level than before. (Pages 95-96)
In contrast with the larger volume of trade in coffee and cocoa beans in 1959, exports of tea were about 6 per cent lower in volume than in the preceding year. Increased shipments from British East Africa and other countries in Africa, as well as Taiwan, were not enough to offset the decline that occurred particularly in India and Ceylon and also in Indonesia. ... It is of interest to note that while tea consumption per caput in the United Kingdom has been stable, and in 1959 even slightly declining, there has instead been a marked increase in coffee consumption in the country over the last years, perhaps encouraged by the fall in the retail price of that commodity. (Page 96)

The quantity of sugar exports in 1958 - almost unchanged in comparison with 1957 - fell by over 6 per cent in 1959. In 1958 the average export unit value which also covers sugar traded under various preferential arrangements fell by about 13 per cent, while in 1959 the drop in volume was accompanied by a further price fall, by about 2 per cent. The bulk of the reduction in quantity in 1959 was on account of Cuba, whose exports to the United States fell slightly, but very considerably to other destinations, reaching in the first six months of the year only half of the corresponding 1958 quantity. (Page 97)

World exports of bananas continued to grow in 1959 as they had done in the last several years, but the rate, at about 5 per cent, was slightly lower than in 1958. (Page 98)

The 4 per cent increase recorded in 1958 in the quantity of butter exports was followed in 1959 by a slight decline (of about 1½ per cent). The European common market as a whole, a net importer of butter in 1956 and 1957, became in 1958 a net exporter as a result of the exceptionally high level of production. Under the influence of the prolonged period of drought in 1959, the position was again reversed, particularly on account of the Federal Republic of Germany, whose import requirements rose considerably and of France which became a net importer. (Page 100)

World exports of carcase meat of all kinds, which rose in quantity by about 6 per cent in 1958, continued to increase also in 1959, although at a considerably lower rate. The reduction in beef supplies for export in Argentina and New Zealand, together with declines in production in the United States, and the high level of demand in the United States, resulted in generally higher prices. (Page 100)

The volume of trade in tobacco (unmanufactured) had levelled off in 1958, when there was a break in the upward movement registered in the preceding years; there was even a decline in the first half of 1959, but according to provisional data tobacco trade for the year as a whole remained at the 1958 level. (Page 101)
2. Raw Materials

As regards the trend in exports of raw materials over the last few years, it may be noted that, while the total value rose continuously from 1953 to 1957, the year when the recession began, exports from industrial countries rose much more than from primary producing areas, with the result that the share of the former in the total value increased from 38 to 45 per cent during that period. This shift mainly reflects the much larger rise in the volume of exports from industrial countries as compared with primary exporting countries, i.e. by 54 and 16 per cent, respectively. (Page 103)

The volume and price movements of world trade in raw cotton have in the last few years been dominated by the fluctuations in United States exports. Since the 1955/56 season, when that country accounted for only about one sixth of the total quantity traded compared with about one half in 1949/50 and in the last pre-war years, the United States export policy has been directed towards re-establishing its traditional share in world exports. (Page 105)

All principal wool exporting countries, with the exception of Uruguay, where a revised exchange rate made prices more competitive in world markets, suffered in 1958 substantial losses in revenue. Though the combined wool export value of the four principal exporters, Australia, New Zealand, Union of South Africa, and Argentina, fell about 22 per cent short of the record established in 1957, the whole of 1959 brought about $1,325 million, i.e. about 18 per cent more than 1958, all these countries sharing in the increase. (Page 107)

The quantities of raw jute exported by Pakistan in 1958/59 (July-June) was 3 per cent smaller than in 1957/58, with some increase in exports to the United Kingdom, United States and Belgium, outweighed by lower sales to India, Federal Republic of Germany and France... (Page 108)

Through its exports of jute (and jute products) Pakistan has in recent years earned about one half of its foreign exchange. The level of trade has been maintained mainly because of buoyant export prices whereas the development of volume has been more sluggish.

As a result of a better crop in Spain, Portugal and Greece the olive oil supply situation was in the 1959/60 season much more satisfactory than in the preceding year. Exports of olive oil, which in 1958 stood about 6 per cent below the 1957 level (three quarters) may, in 1959, have been about two-thirds larger than in 1958. This large increase resulted mainly from higher sales from Spain and Tunisia. (Page 111)

A 13 per cent fall in the average export unit value of natural rubber was responsible for the lower level of export earnings in the main supplying countries in 1958; in most of them the quantity of rubber exported showed no fall. (Page 112)
In contrast to the abundant supply of many of the agricultural products, the demand for natural rubber last year was actually larger than could be met from current production. Substantial imports by the USSR were an important feature of last year's trade picture. In spite of a record level of production, an acute shortage situation was prevented only through the decision taken both in the United States and the United Kingdom to release rubber from strategic stocks.

The dominant feature in the hides and skins trade in 1959 was no doubt the exceptionally high price level. Underlying this development was the decline in slaughtering in major supplying countries, especially in Argentina, which prevented supply from meeting the heavy demand for raw materials for the leather industry in Western Europe and also in several East European countries. (Page 114)

The 1959 market for forestry products registered a substantial recovery with respect to the volumes traded. Total European imports of coniferous sawn wood showed an increase by about 7 per cent over 1958, which was shared by nearly all importing countries in the area, France being the main exception. (Page 114)

The volume of trade in iron ore, which in 1958 was considerably lower than in 1957 - mainly because of smaller deliveries from Canada and Sweden to the United States - registered a marked recovery in 1959. The total quantity imported into the United States was about 30 per cent larger than in 1956, with increases by 3 and 10 per cent in the United Kingdom and the EEC area, respectively. (Page 116)

3. Non-Ferrous Metals

The main non-ferrous metals entering the export trade of primary producing countries, i.e. copper, tin, lead and zinc, registered in 1959 a substantial improvement in comparison with 1958 with respect to consumption, prices and the volume of trade. Many producers of lead and zinc restricted sales or output especially in the second half of 1959 in an endeavour to bring supply more into line with demand. Export prices of non-ferrous metals, increased on the average by about 10 per cent, and were thereby almost brought back to the 1957 level, but they were still more than 20 per cent lower than in the peak year of 1956. (Page 117)...

It can be estimated that, as a result of the improvements in 1959, the total value of earnings from metal exports (excluding ores) in the primary-producing countries was by and large restored to the 1957 level, which had however been about 14 per cent lower than in 1956. (Page 119)

4. Fuels

The total value of fuel exports from primary-producing countries (excluding USSR and Eastern Europe) rose in each of the years 1954 to 1957 by about 10 per cent. In 1958, when this value amounted to about $7,420 million, the increase over the preceding year was by only about 5 per cent, and in 1959 the rate had
fallen to 3 per cent. While in the Suez crisis 1956-57, those exports were thus not higher than in the preceding years, fuel exports from industrial countries (mainly from the United States to Western Europe) registered a temporary, sharp increase.

After the temporary setback of 1957, the expansion in world consumption of petroleum products has continued. The figure reached in 1959, about 711 million tons, was about 43 million tons or 6 per cent larger than in 1958, i.e. slightly less than the long-term average of over 7 per cent registered in the 1950's. (Page 123)

Oil exports from the USSR have of late risen rapidly; in 1959 they were about 25 million tons (compared with about 4 million in 1953), of which 16.8 million tons of crude and products to destinations outside Eastern Europe and mainland China. This quantity represented about 4 per cent of the whole international oil trade. The largest customers were Italy (where sales more than doubled since 1958) and Egypt, followed by the Federal Republic of Germany, Finland, Sweden, and France, minor quantities going to nearly all other countries in Western Europe, and to Argentina, Brazil, Uruguay and Japan. (Page 126)

Imports of hard coal by Western European countries from all sources declined from 69.2 million tons in 1958 to 57.5 million in 1959. On balance, the decline affected wholly the imports from the United States, which dropped from 30.3 to 16.9 million tons, over one half of which was due to reduced purchases from that source by the Federal Republic of Germany, and the rest mainly by France, Italy, and the Netherlands. Continental Europe last year imported slightly less than in 1958 from the United Kingdom and Poland, but more from the USSR. (Page 127)

B. Manufactures

The 1959 increase in world exports of manufactures by about 8 per cent (almost exclusively on account of a growth in volume) was shared by all the principal exporting countries, except the United States. The revival was particularly marked in the EEC countries, whose export value rose by 13 per cent (the increase in the Federal Republic of Germany was by 12 per cent, and even larger in the others, except Belgium) and in Japan, where exports rose by 21 per cent, while the United Kingdom exported 5 and Canada 7 per cent more than in 1958. Most of the total rise in trade in manufactures was the outcome of larger exchanges among industrial countries, greatly aided by the upsurge in United States imports and the sharp rise in trade within the EEC area. (Page 128)

Although the value of exports of manufactures has generally risen in recent years, divergences in the rates of change have resulted in important shifts in the relative positions of various countries. Among those that lost
ground, the most striking change occurred with respect to the United Kingdom and Canada, whose shares fell continuously in 1954-59, the former from 20.4 to 17.2 per cent and the latter from 6.3 to 5.2 per cent. The United States managed to maintain its 1954 share of 25.1 per cent almost unchanged until 1957, but suffered a relative loss in the two following years, when its share fell to 23.3 and 21.3 per cent. On the other hand, a continuous rise was recorded by the Federal Republic of Germany, from 14.8 to 19.1 per cent, and also by Japan, from 4.7 to 6.7 per cent, whereby the country's pre-war position as an exporter of manufactures was restored. The six other major European manufacturing countries (France, Italy, Belgium-Luxemburg, the Netherlands, Sweden, and Switzerland) succeeded in increasing their combined share in the exports of manufactures from 28.7 per cent in 1954 to 36.3 per cent in 1959. (Page 129)

As regards the main categories of manufactures, the expansion of trade in 1959 was rather unevenly distributed. The largest increases occurred in chemicals, passenger cars and "miscellaneous manufactures" (i.e. mainly consumer goods other than textiles and metal manufactures), which rose substantially more than average. Textiles, electric machinery and commercial vehicles rose at the same rate as the aggregate of all manufactures, whereas only minor upward movements occurred in trade in non-electric machinery and metal manufactures, including iron and steel. It should be added that the increase in textiles was mostly on account of a rise in exports of wool fabrics; cotton fabrics increased much less and there was no increase in the export value of man-made fabrics. (Page 130)

The relative decline of the United States in world exports of manufactures is a recent phenomenon; in 1956 and 1957 these exports (excluding special categories) rose even more than those from the other manufacturing countries combined and only in 1958 and 1959 was there a fall in the share of the United States. (Page 130)....As regards individual groups of manufactures, and considering United States exports to all destinations, large declines are found to be confined mainly to transport equipment, including ships and aircraft, and steel. United States exports made, on the other hand, large gains during the period in a number of manufactured goods, including railway equipment, inorganic chemicals, textile yarns, and copper.

The upward movement in international trade in textiles in the years 1953-57 was reversed in 1958. The recovery registered in 1959, which became more pronounced only in the second half of the year, was concentrated upon imports by the industrial areas, and brought the total value of textile exports in that year close to the 1957 level. (Page 132)

Although among primary-producing countries the recent expansion in cotton textile manufacturing has been directed in the first place to achieving a higher degree of self-sufficiency (e.g. in Brazil, several countries in the Near East, Indonesia, the Philippines, the Federation of Rhodesia and Nyasaland, Nigeria, the Union of South Africa), there are several cases, especially among raw cotton
producers, where the emphasis is increasingly on the production also for export. Egypt, for instance, has made significant progress in this direction, and Pakistan has become the world’s largest exporter of cotton yarn. Another factor which contributed to the recent intensification of competition in the world textile market is the entry last year of the USSR and the Eastern European countries into the Singapore entrepôt market and, even more important, the advance of mainland China, whose exports rose rapidly up to 1958. Though the increase was checked in 1959, that country is consistently striving at widening the range of its markets, as exemplified by the recent barter deal with Sudan (in 1959, India’s largest market for cotton fabrics after the United Kingdom). (Page 134)

The quantity of trade in cotton piece goods in particular was in 1959 about 9 per cent bigger than in the preceding year, largely on account of the sharp rise in the last months of the year. The most important increase occurred in India, but gains were recorded also in Hong Kong, Japan and Pakistan and continental European countries. (Page 135)

United States imports of piece goods continued to rise. Japan remained by far the largest supplier but imports from that source showed a slackening tendency in the course of the last year, in contrast with the continuous sharp rise in earlier years. It is only recently that the United States entered the market as a major buyer of grey cloth, resulting in a vigorous expansion of imports from Hong Kong, India and Pakistan last year. (Page 136)

The upturn in exports of cotton products in 1959 was not shared by textile goods manufactured from man-made fibres; the volume was about 8 per cent lower than in 1958, when there already had been a sizeable drop. There was, however, some increase in exports of rayon piece goods from European countries, with the United Kingdom the main exception, but shipments from Japan, by far the largest supplier, were 20 per cent smaller than in 1958. (Page 137)

World exports of jute manufactures in 1959 (first three quarters) were about 13 per cent larger than in 1958, mainly because of a strong increase in Pakistan where the volume more than doubled, and a small increase also in India, whereas European exports were almost the same as in 1958. (Page 138)

Trade in passenger cars among industrial countries continued to increase in 1959, when the export value was about 38 per cent higher than in 1958, whereas exports to non-industrial countries, which had been rising up to 1958, were reduced by about 7 per cent, thereby falling short even of the 1957 value. North America, whose passenger car exports have been declining since 1957, has in the last few years become the largest import market. The area in 1953 still imported less by value than either the countries which now form the EEC area, the rest of Western Europe, Latin America, the overseas sterling area or the rest of the world, its proportion in world imports being no more than 14 per cent. By 1959 these imports had grown eight-fold (though trade inside North America hardly rose) and amounted to 40 per cent of world imports. In that year more than one
half of them was supplied by the EEC countries and one third by the United Kingdom, the rest being shared between Sweden, Japan and trade between the United States and Canada. This eight-fold rise in North America's imports in the six years compares with an increase in other industrial countries by two and a half times, and in non-industrial areas by less than 60 per cent largely because of the virtual stagnation in Latin America. That area's imports rose by only 20 per cent compared with 90 per cent in the overseas sterling area and 50 per cent in all other non-industrial countries, considered together. The drop in passenger car imports in 1959 which affected all the non-industrial areas, was larger in Latin America than elsewhere, entirely, however, because of a substantial fall in imports from the United States. The general reduction in imports by non-industrial areas concerned exclusively the export of passenger cars from North America and the United Kingdom (except in Latin America where United Kingdom sales rose even more than those from the EEC) since the European Economic Community succeeded in selling more to those areas, with a particularly large increase to overseas sterling countries to which United Kingdom exports declined.

In several overseas sterling countries and lately also in Latin America, domestic production, including assembly, has tended to replace imports. Thus, the rapidly growing production capacity in Australia, relying to an increasing extent on domestically produced components has in the last decade brought about a radical change in the import position of the country. Since the capacity at present even exceeds domestic requirements, export sales have been developed, mainly directed to New Zealand, but passenger cars are also exported to Ceylon, Malaya and the Union of South Africa. There has been an important rise in passenger car production also in Japan, whose exports, in addition to gaining a foothold in the United States also cater to several minor passenger car markets in Asia, e.g. Taiwan, Indonesia, Thailand, Burma and Iran. Assembly of passenger cars is performed in many countries in Asia, including India, Pakistan, Taiwan and Singapore. In Latin America passenger cars are assembled, inter alia in Mexico, while in Brazil an important domestic manufacturing activity of motor vehicles has been developed. Production of passenger cars alone is in that country expected to reach 30,000 units in 1960, about 95 per cent of the weight of which would consist of domestically made components. (Pages 139-140)

Almost entirely as a result of the recovery in the second half of the year, total international trade in capital goods (machinery and transport equipment, excluding passenger cars) reached in 1959 about $17,700 million, a level about 4 per cent higher than in 1958, when these exports had been only very slightly higher than in 1957. (Page 140)

During the period 1953-59, when the export values of capital goods were generally rising, North America's exports to primary-producing countries increased nearly twice as much as to industrial countries. By contrast, the exports from the United Kingdom, the EEC countries, and the other continental exporters developed in the opposite way: exports to industrial destinations rose much more than in other directions. However, in the recession year of 1958 North America's exports dropped to both destinations, and the United Kingdom's were
barely maintained in both directions, whereas the EEC and the rest of Western Europe continued to expand capital goods exports both to industrial and non-industrial areas. But while in that period of slackening industrial activity capital goods exports from the EEC to industrial countries advanced at the same rate as to primary-producing areas, the sales to the former in the 1959 recovery rose considerably more, as they did also in the United Kingdom and Japan. In North America, however, the exports to primary producers continued to fall in the same proportion as they had done in 1958, whereas the rise to industrial areas just made up for the previous year’s drop. While, therefore, North America’s capital goods exports to primary-producing countries have after 1957, unlike those to other industrial countries, receded from that level, the expansion in these exports from Western Europe and Japan continued in all directions, with the emphasis, however, on exchanges among industrial countries. In 1959 there was a slight improvement in machinery exports (but not of transport equipment) from Western Europe and Japan to non-industrial countries whose combined import capacity increased somewhat, a development which is to be ascribed mainly to the growth in the export earnings of countries supplying certain raw materials such as rubber, wool, copper and tropical timber. However, in Latin America as a whole there was no improvement in the current capacity to import in 1959. Imports of capital goods from the United States to that area fell substantially and, although larger purchases were made in the United Kingdom, the Federal Republic of Germany, Japan, and some continental European countries, total capital goods imports were lower than in 1958. The United States registered increases only in the overseas sterling area, as did Japan, while European suppliers, including the United Kingdom, fared less well than in 1958.

Although primary producers may have benefited to some extent in their exports from the "shelter" that they have enjoyed in closely associated industrial markets due to the "...presence of traditional ties of a political, financial or trading character which affect the trend of investment...", there is no general evidence that the industrial countries which are the main suppliers of capital goods to their affiliated primary-producing areas have had exceptional gains in exports in those directions since 1953. Thus in the dollar countries of Latin America, where North America supplied about 74 per cent of capital goods imports in 1953, North America participated with only about 54 per cent in the increase that took place in the five years up to 1958. On the other hand, the EEC countries conquered a share of the increased capital goods imports of dollar Latin America, which was substantially larger than their market share in 1953. The United Kingdom’s share in the overseas sterling market was nearly two thirds in 1953 but it supplied only about one third of the increase in capital goods imports into that area up to 1958. In the associated or dependent overseas territories of continental Europe the position of their metropolitan countries as suppliers of capital goods, on the other hand, remained unchallenged. Finally, in the rest of the world, where no supplier enjoys a sheltered position, all the main exporters, i.e. North America, the United Kingdom, and the EEC countries, suffered a decline in their market shares between 1953 and 1958; the rest of continental Europe kept its position unchanged, while gains were made
in particular by Japan and also by the centrally planned economies. Summing up, it appears that in some important markets the main suppliers of capital goods have failed to maintain their shares. While the complex nature of these trade relationships precludes a detailed analysis, it may at least be surmised that, in addition to the factors already mentioned, the growing scope of various export credit or extended payments arrangements may have favoured trade in capital goods in some trade channels more than in others. (Pages 142-144)

PART THREE

TRADE OF AREAS AND COUNTRIES

Since the publication of last year's report International Trade 1957-58 - which contained an exhaustive discussion of the trade position of all the major areas and countries, not enough time has elapsed to warrant a similarly complete coverage in the present report. However, the report provides a brief discussion of regional groupings in Western Europe and the major trade developments in three main non-industrial areas: the dollar area of Latin America, the Latin American non-dollar countries, and the overseas sterling area.

Growth and Structure of Intra-European Trade

During the 1950's the value of Western Europe's trade, both intra-trade and trade with other areas, grew faster than world trade as a whole. Trade among Western European countries in 1959 was 127 per cent higher than in 1950, compared with a rise in world exports of 56 per cent during the same period. (Page 146)

Trade Development in 1959

After having levelled off in 1958, both industrial production and the volume of trade of Western Europe increased considerably in 1959, by 6 and 10 per cent, respectively. The increase in the volume of trade was slightly higher than in total world trade while the increase in industrial production was lower than in the world as a whole. Since North America did not increase its exports (though its imports rose by 16 per cent in volume), Western Europe, where both exports and imports rose by about 92 per cent greatly increased its importance as an exporter among the industrial areas. The growth of exports was entirely brought about by the increase in intra-European trade and by exports to North America. Both export and import prices fell on the average by 3 per cent, causing a smaller increase in trade values than in volumes. As in 1958, the exports of the area again roughly balanced the imports (at f.o.b. prices). The reduction by more than $1,200 million in the trade deficit vis-à-vis North America was compensated by the disappearance of the surplus vis-à-vis the non-industrial areas.
Trade within Western Europe. The growth in intra-European trade in 1959 amounted to $2,300 million, or 11 per cent. Intra-EEC trade increased by $1,300 million (19 per cent), intra-EFTA trade by $200 million (7 per cent) and about $700 million were accounted for by growth in trade between EEC and EFTA. The rapid rise in intra-EEC trade was shared almost equally by primary products and manufactured goods. The upturn in trade in primary products can be related mainly to the increase in industrial production and to some extent to the drought which caused Germany and France to import more agricultural products. The growth of trade in manufactured goods, which was even faster than during the boom years 1956-57, may partly be a result of the organization of the Common Market, although to a greater extent caused by efforts on the part of business enterprises to enlarge their markets in other EEC member countries, than by any actual preferential treatment, which scarcely existed before July 1960. France and Germany had the greatest rise in exports of manufactures to other EEC countries, both about $270 million, which means a much higher relative increase for France than for Germany. With an almost $600 million increase in imports, of which about $400 million were manufactures, Germany greatly reduced its export surplus vis-à-vis EEC, while France's trade balance with regard to the other EEC countries changed from negative to positive.

As contrasted with earlier years, trade within EFTA in 1959 rose more rapidly than EFTA's exports to EEC; in both cases manufactured goods accounted for roughly two thirds. Most of the increase in intra-trade was brought about by exports of the United Kingdom to Denmark, Sweden and Switzerland. Of the smaller EFTA countries, particularly Denmark and Norway increased their exports to the United Kingdom. EFTA's imports from EEC rose by $450 million (9 per cent) all of which consisted of manufactures. At the same time EFTA's exports to EEC only grew by about $200 million. Thus, there was an increase in EEC's usual export surplus vis-à-vis EFTA. (Pages 149-151)

The Report concludes, as stated in an earlier study*, EEC is likely to be beneficial for world trade if it can be assumed that the establishment of the Common Market will contribute to maintain and even to accelerate an uninterrupted growth of production in the six countries as a whole. EFTA, with its goal of internal free trade in all but agricultural products, can also be expected to make a positive contribution to growth. The two areas are therefore likely to experience a more rapid development than if integration had not taken place. If so, this would lead to higher imports of primary products from non-European countries, since for many primary products the possibilities for supplies from European sources are quite limited. The repeated official EEC and EFTA declarations about a liberal policy towards the outside world must be taken into account in this connexion. Higher export earnings for the primary-producing countries that would result from increased economic strength in Europe, combined with a greater outflow of capital to the non-industrial countries, made possible by the stronger economy, could significantly contribute to the solution of the fundamental problem of raising trade between the industrial and non-industrial areas.

*The Possible Impact of the European Economic Community, in particular the Common Market, upon World Trade, GATT Trade Intelligence Paper No. 6, December 1957.