International Agreement on Tariffs and Trade

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International Trade 1960 has three parts: the first part analyses recent Trends in International Trade; the second part deals with Commodity Trade; the third part examines the Trade of Areas and Countries. There is an Appendix containing Notes on Sources and Methods.

PART ONE

RECENT TRENDS IN INTERNATIONAL TRADE

Main Features of International Trade during 1960

Value and Volume of International Trade

During 1960 the value of world exports expanded at the rate of 11 per cent over 1959, reaching the record level of $125,000 million.

World trade in 1960 grew even faster than in 1959 (the increase then was by 8 per cent in value and 9 per cent in volume). Thus 1960 brought the highest rate of expansion in international trade recorded since 1955, when a relative growth of similar magnitude was reached.

Contrasting with the development in trade, the growth in world output slowed down in 1960. World industrial production grew by 7 per cent compared with 10 per cent in 1959 and total commodity output by 6 per cent as against 7 per cent a year earlier. The difference in the rates of expansion between total output and trade resulted in a further rise in the proportion of world output which entered international trade.

While on the one hand the mild recession in the United States during the second half of 1960 was a major cause of the slowing down in the expansion of world production, the large increase in United States exports on the other hand contributed to the rise in world trade. Manufactured goods continued to gain in relative importance among total exports, a tendency they have been showing over the last decade. (Page 5)

Trade between Industrial and Non-industrial Areas

The expansion of total world trade in 1960 was the result of an uneven development among the various trading areas. The main factors which deserve emphasis were:

(i) the acceleration of growth in exports originating in the European Economic Community, the larger part of the gain coming from increased trade among the member States of the Community;

(ii) a large rise in the exports of North America, especially to other industrial areas;

(iii) a considerable increase in the imports of the non-industrial countries from the industrial areas, as opposed to declines, both in 1958 and in 1959;

(iv) a slowing down in the expansion of exports of the non-industrial areas to the industrial countries, accompanied however by some increase in trade among the non-industrial countries themselves;
(v) a marked growth in the trade of both the industrial and the non-industrial areas with the Eastern trading area and, although still small in absolute terms, at the same time, a slower expansion in trade among the countries within that area.

The trade development in 1960 again significantly reduced the share of the non-industrial areas in world exports. This was the resumption of a longer term tendency which had been in evidence during most of the post-war era but which had almost come to a halt in 1958 and 1959. The main explanation of the relative decline of the non-industrial areas in 1960 lies in the fact that the $600 million increase in their exports to the industrial areas was completely overshadowed by the $7,000 million rise in trade among the industrial countries themselves, thus causing the share of the non-industrial areas in total imports of the industrial countries to drop from 31 to 28 per cent. Imports of the non-industrial countries from the industrial areas on the other hand showed a substantial increase (of $2,500 million) thus giving the non-industrial areas a trade deficit vis-à-vis the industrial areas of about $2,000 million (both imports and exports at f.o.b. values) in the place of the approximate balance between the two groups in 1959. (Page 7)

Trends in the Exports of various Industrial Countries

The changes which have occurred in the last few years in the balance-of-payments situation of the industrial countries, in particular the recurring deficit in the United States balance, the steady growth of Germany's gold and currency reserves and the recent revaluation of the Deutsche Mark, call for a reassessment of the position of the main industrial countries in the various world markets. The Report examines the development since 1948 of total exports from the United States and the United Kingdom on the one hand and from nine industrial countries in Western Europe on the other, as compared with the recovery of German and Japanese exports. Whereas the value of the total exports of these thirteen countries taken together increased by 140 per cent between 1948 and 1960, the exports of the nine continental European countries rose by 190 per cent, and the corresponding increases amounted only to 50 and 54 per cent respectively for the United States and the United Kingdom. Furthermore, in view of the fact that in 1960 the export prices (expressed in dollars) of the continental countries were about 15 per cent lower than in 1948 while United Kingdom prices remained practically unchanged and United States prices were 10 per cent higher, it can be said that there was a wide disparity in the development of the volume of exports from these various countries during the period under review. These different trends in foreign trade in both volume and prices can be set alongside the

1 Apart from Germany, these countries are the nine major industrial countries of Western Europe: Belgium and Luxembourg, Denmark, France, Italy, Netherlands, Norway, Sweden and Switzerland.
fact that similar divergencies are to be observed in the tendencies displayed by economic activity in general: whereas industrial production rose by only 60 per cent between 1948 and 1960 in the United States and the United Kingdom, it more than doubled in the nine continental European countries and increased almost fivefold in Germany and Japan. (Pages 10-12)

In 1948, the United States and, to a certain extent, the United Kingdom were the only possible suppliers of the many products of which the other countries of the world stood in urgent need in order to reconstitute their economic potential. From 1950 onwards the relative position of the United Kingdom started to deteriorate on all the major markets and at the same time the United States continued to lose ground, but more slowly than during the period 1948 to 1950. Conversely, the situation of the nine continental West European countries during the 1950-60 period remained stable on the whole and improved strongly on such major markets as North America, Latin America and the overseas sterling area, despite the particularly rapid rise of German and Japanese exports to the American continent.

The changes which occurred during the post-war years were of such wide scope that they should be viewed in a broader context and the present situation should be compared with that of the pre-war years. The Report examines the relative importance of the main industrial countries on different export markets for 1928, 1937 and 1960. The total exports of Germany and Japan in 1960 amounted to 23 per cent of the total exports of the thirteen countries considered a proportion which is between the percentages reached in 1928 (22 per cent) and in 1937 (26 per cent). As regards German and Japanese exports to the various markets it will be seen that in 1960 their shares in all markets were practically the same as before the war, except in respect of the overseas sterling area, where their share rose and the Rest of the World, where it fell.

On the whole, the nine countries in continental Western Europe and the United States were able to increase slightly, or at least maintain, their share of world trade. In the case of the European countries this is mainly due to the expansion of their exports to Western Europe, the overseas sterling area, Latin America and the Rest of the World. As regards the United States, the drop in their share in the Western European markets was offset by increases in Latin America, in the overseas sterling area, and the Rest of the World, so that on the whole their relative position in 1960 was comparable to that which they occupied in pre-war years.

The situation of the United Kingdom has changed perceptibly compared with the pre-war period, since its relative share dropped in all major export markets, except the Rest of the World where the United Kingdom has largely held its own. The United Kingdom losses are especially substantial in Latin America and the overseas sterling area. In Latin America, the position of the United Kingdom was already much less favourable in 1948 and 1950 than before the war and declined relatively little between 1950 and 1960. In the overseas sterling area, on the contrary, the United Kingdom's share was

1United Kingdom, United States, nine European countries, Germany and Japan
greater in 1948 and 1950 than before the war; but it has suffered a sharp decline during the past ten years, dropping from 62 per cent in 1950 to 40 per cent in 1960.

Although other factors played a leading part in international trade in the immediate post-war period, the price factor seems to be increasingly important. The divergent trends which have been noted in export prices of the various industrial countries have thus naturally had a marked effect on the competitive capacity of these countries and, consequently, upon the volume of their exports. It would, moreover, appear that these price movements are connected with the differing rates of economic growth in these countries during the nineteen-fifties. The lack of uniformity in the rates of economic growth can therefore, through the level of export prices, have a marked effect on the relative competitiveness of industrial countries in the different export markets. There is no reason to believe that this link between price levels and the volume of exports will slacken during the next few years, or that other factors will intervene to overshadow the price factor in the evolution of the various markets. It is therefore likely that the competitive conditions among industrial countries will continue to be very greatly influenced by the levels of the export prices which they are able to maintain and thus by the rates of growth which their economies can sustain in the future. (Pages 14-15)
PART TWO

RECENT TRENDS IN COMMODITY TRADE

Between 1959 and 1960 the value of world\(^1\) trade in primary products rose by about $3,900 million, or 8 per cent, and world trade in manufactures increased by about $8,000 million, or 15 per cent. As the export price index for primary commodities remained stable between 1959 and 1960 and prices for exports of manufactures showed a rise of 2 per cent, it is clear that the volume of the trade in each of these two major categories of products grew rapidly during this period, with rises of 8 per cent and 12 per cent for primary products and manufactures respectively, whereas world industrial production rose by 7 per cent.

As regards exports from the industrial areas it is noted that, while between 1957 and 1960 the share of manufactures in their inter-trade advanced from 58\(^{1/2}\) per cent to nearly 65 per cent, there was practically no change in the proportion (about 81 per cent) that manufactures occupied in their exports to non-industrial areas. This was principally due to the failure of the exports in that direction of base metals and "other" manufactures to increase as much as those of either capital or consumer goods. Exports of manufactured goods from industrial countries to the Eastern trading area also gained ground mainly on account of capital goods and base metals. In exports from the non-industrial countries to the industrial countries the share of manufactures rose from about 11 to about 13 per cent between 1957 and 1960, mainly because of the expansion of textile exports from Hong Kong, India and a few other countries. In exports from the Eastern trading area to industrial areas the proportion taken by manufactures has been quite stable, at about one third; it seems to have been stable also in the exports to non-industrial areas (at least in 1957-59) and to have increased in the exchanges between the centrally-planned countries themselves. (Pages 17-19)

Movement of Prices of Primary Commodities

The low level of prices of primary commodities since 1958 has had an effect on the situation of non-industrial countries. At the same time the relative importance of industrial countries as exporters of primary products rose markedly between 1959 and 1960.

The Report examines the movement of prices of the main groups of primary commodities entering world trade. Following a drop in prices between 1957 and 1958 which affected each of the main commodity groups, prices of foodstuffs and minerals declined again in 1959 and 1960 while the average prices of agricultural raw materials became firmer. The price level of primary products as a whole declined by 6 per cent between 1957 and 1958, and suffered a further decline of 2 per cent in 1959. Prices of most foodstuffs dropped sharply between 1957 and 1960, except the prices of meat, which increased,

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\(^1\) Excluding trade among the countries of Eastern Europe, the USSR and mainland China.
of tea, which remained stable, and of cereals, which showed only moderate declines. As regards agricultural raw materials price increases were recorded between 1957 and 1960 for jute and hard fibres, rubber and certain fats, whereas declines occurred for most of the other products, especially oriental tobacco, wool and cotton. Among minerals, prices for petroleum products and solid fuels, which stand out as major items, have weakened in the course of 1959 and 1960.

Whereas during the 1958 recession and the 1959 recovery the development of exports of primary products and non-ferrous metals from industrial areas and non-industrial countries had followed similar patterns, the growth in world trade in these products between 1959 and 1960 is due mainly to the expanded exports from industrial areas. This development, which is particularly marked in the case of agricultural raw materials (and more especially for textile fibres) and foodstuffs, is due to a large extent to the rise, in 1960, in exports from the United States to other industrial areas. (Pages 19-21)

A. Primary Products

1. Trade in Foodstuffs

Total exports in this commodity group (excluding USSR, Eastern Europe and mainland China), which in 1959 reached a value of $18,950 million (about 2 per cent more than in the years 1957 and 1958) in 1960 showed a further 3 per cent rise. This was mainly the outcome of an increase in food exports from industrial countries by about 7 per cent, as those from the less-developed areas, having declined slightly in both 1958 and 1959, in 1960 rose only marginally. In 1959 the industrial areas and the primary producing countries participated in world food exports in almost equal proportions: $9,700 million for the former and $9,200 million for the latter. But from 1953 to 1959 the industrial areas had increased their exports by $2,200 million while the less-developed countries recorded an increase of only about $600 million. Exports of foodstuffs from the USSR, Eastern Europe and mainland China (excluding intra-trade) rose in that period from $475 to $880 million.

So far as quantities are concerned exports of several of the main food products increased in 1960: wheat and wheat flour by about 12 per cent, cocoa, sugar and citrus fruit by 18-20 per cent, rice by 15 per cent, and bananas and tobacco by 1-5 per cent. There was practically no change in the volume of coffee exports, and with respect to the coarse grains increases in the volume of maize, sorghum and millets outweighed a sharp fall in barley and smaller decreases in oats and rye. There was on the other hand a slight decline in trade of butter, tea and meat. Prices of all these products were either unchanged or lower than in 1959, the main exceptions being tea and meat, the prices of which were on the average slightly better last year.

There were further additions to stocks of several major food items in 1960. Supplies for export and carryovers of wheat in the four major exporting countries, which had risen only slightly, from 65 to 66 million tons, from March 1959 to March 1960, increased by a further 5 million tons by March 1961.
Coarse grain stocks in North America, about 72 million tons in mid-1960, are estimated at about 80 million tons in mid-1961. At the end of 1960 world butter stocks were about 40 per cent higher than a year earlier; in Western Europe alone they doubled during the year. World sugar stocks stood in September 1960 at a level about 1 million higher than the 12.7 million tons recorded twelve months earlier, and further large additions are in sight for the current year. Coffee stocks in producing countries, about 3 million tons in mid-1960, may have increased by another 500,000 tons in mid-1961. Stocks of cocoa beans in consuming countries were in 1960 about 50 per cent larger than in 1959. In contrast with the larger supply of these commodities, stocks of tea showed little change during 1960.

Considering only food exports from the non-industrial countries, these countries earned in 1960 more than in 1959 from exports of wheat, rice, sugar, tea, citrus fruit and tobacco, but less from coarse grains, butter, meat and cocoa. (Pages 21-22)

While there had been in 1959 almost no increase in the total quantity of butter produced in continental Western Europe, in 1960 the higher milk output in the area stimulated butter production which rose by about 8 per cent. On the other hand the volume of world butter exports fell from 656,000 tons in 1959 to about 615,000 tons in 1960, mainly on account of a large drop in Oceania and some reduction also in the United States. The increased production led in France to a changeover from a net-importing to a net-exporting position. Production rose also in the United Kingdom as well as in several minor exporting countries in Europe, e.g. Sweden, Norway, Finland, Ireland and Belgium. Notwithstanding the fall in retail prices in several countries, consumption in Europe did not increase as much as production, with the result that the surpluses found their way either into stocks in producing countries or to the unrestricted United Kingdom import market, where they exerted a heavy pressure on prices.

Total United Kingdom butter imports rose slightly, from 407,000 tons in 1959 to 414,000 tons in 1960. While imports from Oceania fell from 230,000 tons to 208,000 tons, those from all other countries rose from 177,000 to 207,000 tons. Imports from Denmark increased from 97,000 to 100,000 tons and those from the Netherlands from 13,000 to 17,000 tons. Imports from remaining countries, including Ireland, Finland, Sweden, Norway and France, rose from 67,000 to 90,000 tons. The weak prices, in conjunction with lower export volumes, led to a substantial drop in earnings, above all in New Zealand, where receipts from butter exports in 1960 were 28 per cent lower than in 1959, and the total quantity exported 20 per cent smaller. By contrast, the five European countries just mentioned exported together (to all destinations) about 90 per cent more than in 1959. In the face of the difficulties encountered by its butter exports, New Zealand in March 1961 requested consultations in GATT on the marketing of butter in the United Kingdom. Such consultations were held in April and again in June and September 1961. (Page 26)

Following the decision by the United States Government in mid-1960 to discontinue imports of sugar from Cuba, and the efforts of this country to seek outlets elsewhere, the structure of sugar trade was radically changed.
Already at the beginning of 1960 Cuba had signed an agreement with the USSR for the delivery of 1 million tons per year during a five-year period, and in addition the USSR bought a quantity corresponding to the quota of 700,000 short tons which the United States did not certify for import. In mid-1960 Cuba signed a five-year agreement with mainland China for the export of 500,000 tons per year, which was later increased to 1 million tons. USSR and mainland China together imported from Cuba about 2 million tons in 1960, compared with less than 300,000 tons in the preceding year. Cuba's exports to the United States fell from 2.9 to 1.9 million tons and to other destinations from 1.7 to 1.6 million tons. There was a slight rise in United States total sugar imports in 1960, with much larger purchases than in 1959 from Brazil, the Dominican Republic, Haiti, Mexico, Peru, the Philippines and the West Indies Federation, more than making up for the fall in imports from Cuba. As most European importers bought less than in the preceding year, the total increase recorded in world sugar trade was mainly accounted for by the transactions just mentioned as well as by purchases by Japan which, though materially reducing imports from Cuba, took more from Taiwan, Brazil and other minor suppliers. The total volume of world sugar exports in 1960 may have amounted to as much as about 15.9 million tons (raw equivalent), i.e. 2\(\frac{1}{3}\) million tons more than in 1959. 

World exports of cocoa beans in 1960, approximately 920,000 tons, were about 19 per cent higher than in 1959. The increase had been almost of the same order also in 1958-59, but since in both years total consumption rose less than production, it led to substantial additions to stocks held by manufacturers in some main consuming countries, particularly in the United Kingdom and the United States. 

The level of world exports of coffee, in 1959 about 2.59 million tons, was not significantly altered in 1960, a slight decline in Brazil and Colombia being matched by increases elsewhere, notably in the Robusta-exporting countries and territories in Africa. Most European countries raised their imports in 1960 but there was a slight fall in the United States. In spite of a decline in production in 1960/61, stocks in producing countries have gone on increasing; in Brazil and Colombia the combined carryover in mid-1960 was larger than the quantity traded in a year, and the total carryover in mid-1961 included surplus stocks which for the first time had accumulated in African countries. Prices of Arabica coffees during 1959 and 1960 were much more stable than in preceding years, reflecting mainly the influence of the export quota system under the International Coffee Agreement, but to some extent also the lower Brazilian crop. By contrast Robusta prices continued to decline partly as a consequence of higher production in Africa. Some recovery was observed in the last months of 1960 when a limitation on sales was put into effect by some of the producers in that area.

In 1960, the total value of coffee exports from Latin American countries may be estimated at $1,467 million, $5 million less than in 1959. Brazil's exports fell from $755 to $713 million, and those of Colombia from $362 to $333 million.
Trade in citrus fruit followed the rising trend of the last years. Exports of oranges and tangerines, in 1959 about 2.72 million tons, were an estimated 18 per cent higher in 1960, resulting mainly from an increase in South African deliveries and of some rise also in Spain, Israel and North Africa, as well as from a higher level of European imports, in particular in the Federal Republic of Germany and the United Kingdom. (Page 31)

2. Trade in Agricultural Raw Materials

Trade in agricultural materials, which after the sharp fall in 1958 staged a substantial recovery in 1959, continued to rise in value in 1960 although at a slightly lower rate. From a total value of about $13,980 million in 1959, exports reached about $15,400 million last year, mainly under the impact of a strong increase (by about $1,300 million) in these exports from the industrial countries. About one half of this expansion was on account of United States exports of a few commodities, notably raw cotton, rubber (synthetic) and certain oilseeds. Exports in this group from less-developed countries in 1960 seem to have been only very slightly larger in value than in 1959. As was noted above in the case of foodstuffs, the development in exports of raw materials from these two groups of countries over the past several years has been unequal. In the period 1953-59 exports of raw materials from industrial countries rose over twice as much as exports from the less-developed countries, i.e. from $4,700 to $7,700 million, and from $6,500 to $7,600 million, respectively. Exports from Eastern Europe, USSR and mainland China (excluding intra-regional trade) rose over the same period from $475 to $650 million.

So far as individual materials are concerned, there were in 1960 substantial increases in the volume of exports of some items: cotton and coconut products by one quarter, soybeans by 16 per cent and olive oil by an exceptional rate of 40 per cent. While the volume of sawn timber, hides and skins rose slightly, fairly large declines occurred in natural rubber, which fell by 11 per cent, groundnuts by 12 per cent, jute by 9 per cent, while minor reductions occurred in wool, sisal and abaca. Important price increases were recorded for extra long-staple cotton, jute and sisal. While a somewhat firmer price tendency was observed in the case of timber, rubber prices were relatively stable until mid-1960, after which they fell sharply, under the impact of increasing stocks held by producers and competition from synthetic rubber. Following an easier supply situation, prices of copra dropped and wool prices, as well as those of hides and skins, were also weaker than in 1959. (Pages 32-33)

3. Trade in Ores and Non-ferrous Metals

A high level of consumption of non-ferrous metals in Western Europe in 1960 led to a strong rise in imports of some of them and to a reduction in exports from the area. While several of the main producing countries in Latin America and the overseas sterling area participated as suppliers in the larger imports, especially as regards copper from Chile and tin from Malaya, there was a spectacular increase in European imports from North America; imports of nickel from Canada and of aluminium and copper from the United States rose sharply. While imports into the United States rose only marginally above the
high level reached in 1959, mainly on account of copper (from Canada and Peru),
exports of non-ferrous metals from the United States were fully two-and-one
half times larger in 1960, the bulk of the increase being directed to Western-
Europe, with somewhat larger exports also to Japan.

The value of exports of copper, lead, zinc and tin from primary producing
countries has fluctuated within a wide range in the recent past; higher values
were recorded in 1960 than in 1959 for copper, zinc and tin. With the exception
of tin, the prices of these metals weakened in the course of 1960. The price of
copper in London was about 8 per cent lower in December 1960 than a year earlier,
that of lead 10 per cent and of zinc 13 per cent lower. The tin price moved
very little during the year, started climbing sharply in 1961 and in June it broke
through the price ceiling set under the Tin Agreement. Prices of the three
other metals became moderately firmer in the first quarter of 1961.

4. Trade in Fuels

In the case of both foodstuffs and raw materials it has been noted that
the expansion in exports over the past few years was much more rapid in the
industrial areas than in the primary producing countries. As regards fuels the
development was exactly opposite; a sharp rise in the primary producing countries
contrasted with a virtual stagnation in these exports from the industrial
countries. In fact, after the temporary boost given to the latter exports in
1956-57 following the Suez crisis, when oil supplies to Europe from North
America temporarily replaced those from other sources, the level fell sharply
in 1958 and in 1959 it had become reduced to $3,000 million, i.e. only slightly
more than the value registered in 1953. The considerable cuts in coal imports
from the United States into Europe in 1958-59 further accentuated this movement.
On the other hand, in 1959 fuel exports from the non-industrial countries were
about 60 per cent larger than in 1953, having risen from $4,560 to about
$7,340 million. On the basis of estimates for the principal exporting countries
the figure in 1960 may have reached about $7,900 million. However, exports from
the USSR and Eastern European countries (excluding intra-regional trade) rose
proportionally even more, i.e. from $170 million in 1953 to nearly $500 million
in 1959, with a further substantial increase in 1960. (Pages 38-40)

B. Manufactures

The increase on the corresponding period of the previous year was 20 per cent
in the first half of 1960; a subsequent slowing down in trade reduced it to
11 per cent in the second half.

While all main exporters participated in the growth in the trade value in
1960, the leading place was held by the European Economic Community with nearly
19 per cent above the previous year. The United States, with a 17 per cent, and
Japan with a 20 per cent increase were also able to expand their shares. Exports
of the United Kingdom on the other hand rose by only 7 per cent, but those of
the other EFTA countries, considered together, by 19 per cent. Preliminary
figures for the first three months of 1961 indicate that the slowing-down in
trade in manufactures was becoming more pronounced.
It has been a regular feature for a number of years for exports of manufactures to grow more slowly to non-industrial than to industrial destinations, and this trend continued in 1960. While trade in manufactures among industrial countries rose by 16 per cent in 1960, their exports to non-industrial destinations rose by only 11 per cent. The difference in rates was more marked than elsewhere for North America, where exports to industrial and non-industrial destinations rose by 16 and 5 per cent, respectively. (Page 46)

Following two years of virtual stagnation, the exports of manufactures from the industrial areas to non-industrial countries reached the level of $19,000 million, nearly $2,000 million more than in the preceding year. Capital goods exports which rose from $7,900 million in 1959 to $9,000 million in 1960 accounted for about 60 per cent of the total increase, but exports of consumer goods, chemicals and other manufactures also expanded substantially in 1960. (Page 47)

1. Textiles

International trade in textiles (yarns, fabrics and clothing) in 1960 had an export value of about $6,400 million, about 16 per cent more than in 1959.

International trade in textiles continued in 1960 to reflect the faster growth of exports from the three large producers in Asia (India, Japan, Hong Kong), than those from North America, EEC and EFTA combined. But as markets, North America and Western Europe as a whole wore more buoyant than the non-industrial areas; to both destinations the three suppliers in Asia expanded their exports faster than the two main industrial areas.

All main exporting areas shared in 1960 in the increasing trade in yarns and fabrics, except Hong Kong which registered a decline in exports for the second year in succession, although only very slight compared to the previous drop. While the industrial countries proved the more buoyant market for all suppliers, the Asian countries were able to register greater relative increases than the other suppliers to industrial and non-industrial areas alike. The most marked success was that of Japan, whose exports rose in 1960 by $166 million or 22 per cent over the previous year. Since 1953 they had grown two-and-one-half times while exports from North America and Western Europe combined increased by 11 per cent; Japan's share in the total exports of the countries shown in Table 13 thus almost doubled, from 9 per cent in 1953 to nearly 18 per cent in 1960. (Page 47)

After fluctuating around the same level for some six years, world trade in cotton fabrics rose substantially in 1960, when exports reached an estimated 650,000 tons, about 50,000 tons more than in 1959. The value of cotton fabrics sold by the countries which account for the bulk of world trade (North America, EEC, EFTA, India, Japan, Hong Kong) grew from $1,120 million in 1959 to $1,320 million in 1960, with North America and Western Europe showing a larger increase in the value of exports than the three Asian countries taken together.
As regards exports to the industrial areas from the Asian countries, those from Japan rose by nearly 4,000 tons to Western Europe and totalled 17,500 tons in 1960, while its exports to North America of 11,900 tons were 1,100 tons smaller than a year before. India's exports showed an increase of 4,100 tons to Western Europe bringing the 1960 total to 24,500 tons. In contrast to these two countries, Hong Kong's exports to Western Europe fell from 18,200 tons in 1959 to 14,200 tons in 1960, nearly all the difference being accounted for by smaller shipments to the United Kingdom, while the quantities sold to North America rose from 4,600 to 9,600 tons. A strong upward turn in European trading activity manifested itself in exports in particular to industrial destinations. With the exception of Switzerland, all Western European exporters shared in the increase of sales of cotton fabrics. (Page 49)

The rapid rise of non-traditional suppliers was in fact one of the salient features of the fast-growing market for cotton cloth in the United Kingdom; the share of Commonwealth suppliers (in terms of square yardage) dropped from 67 per cent in 1959 to 56 per cent in 1960, while that of imports from Spain, Portugal and Eastern Europe rose from 4 to 14 per cent in the same period.

Imports of cotton piecegoods into North America also rose considerably in 1960. Canada received more in particular from India, but also from Belgium and Eastern Europe. Imports into the United States once more rose substantially with greatly increased shipments from India, Pakistan, Hong Kong, South Korea, Taiwan, Spain and Portugal, while imports from Japan declined. Although all suppliers (except Japan and Taiwan) were affected by the slowing-up of imports in the latter half of the year, the import situation still remained a source of concern in the United States. Exports of cotton piecegoods from the United States were the lowest since the war, as a result mainly of large losses in sales to Cuba, Canada and Venezuela, which increases in shipments to the United Kingdom and Australia and to some Latin American countries failed to make up for.

Trade in wool textiles rose for the second year in succession. Exports of yarn rose in 1960 considerably more than those of fabrics, reaching a record total of some 87,000 tons, thus obliterating the effects of the 1958 recession on the steady growth these exports had previously been showing over a number of years.

Exports of woven wool tissues (in 1960) increased by 5 per cent in quantity. Although this was the second such increase since the 1958 recession, the 112,000 tons traded in 1960 were still somewhat below the level of 1957. Trade in wool tissues is concentrated in the hands of seven countries, accounting together for 95 per cent of world exports (excluding Eastern Europe, the USSR and mainland China).

The largest exporter in 1960 was still the United Kingdom, but it was the only one of the major exporters not to recover fully in the year following the textile recession; in 1960 moreover its exports declined, leading to a reduction of its share in world trade in wool textiles from 27 per cent in 1959 to 24 1/2 per cent in 1960. (Pages 50-51)
In contrast to Italy, France and Belgium, whose requirements had grown appreciably, the Federal Republic of Germany, by far the largest single importer of woven woollen tissues, took only a little more in 1960 than in the preceding year. In North America, imports into Canada showed a slight decline, while 3,000 more tons reached the United States than in 1959, making for record imports of 13,500 tons. Among suppliers, Italy benefited most from this rapidly growing market, its share (in terms of weight) rising from 36 per cent in 1959 to 46 per cent in 1960. Japan's share rose from 22 to 23 per cent. Britain's share, on the other hand, has not stopped shrinking since late 1956; between 1955 (the year preceding the introduction of import quotas) and 1959, its relative part in the market fell from 64 to 30 per cent, and in 1960 to a mere 23 per cent. In terms of value, however, Britain has as yet not lost its position as the leading supplier to the United States market. (Pages 51-52)

Total trade in clothing from North America, Western Europe, India, Japan and Hong Kong rose in 1960 by $230 million (or 23 per cent), reaching a value of $1,225 million, almost twice the amount of 1953.

Imports into North America and Western Europe grew at a considerably higher rate than imports into the Rest of the World. Exports from North America and Western Europe rose by 29 per cent, totalling $825 million. North America's exports rose little to non-industrial areas, but did well to industrial destinations; after a marginal improvement in 1959, they attained $41 million in 1960 (equal to the 1956 figure) mainly thanks to the strength of the European market. At the same time, European clothing exports also experienced a rise to the non-industrial countries, of the order of 15 per cent. Exports from the United Kingdom hardly took part in these developments; its clothing exports to non-industrial areas remained where they had been a year earlier, and those to industrial countries were less than 4 per cent larger. In contrast, its imports of clothing which rose from $64 million in 1956 to $84 million in 1958, no less than doubled in the following two years, attaining a value of $168 million in 1960, of which $50 million was contributed by Hong Kong, $35 million by Italy and over $40 million by imports from the Federal Republic of Germany, France, Belgium, the Netherlands and Switzerland combined. (Page 52)

Exports of clothing from Japan and Hong Kong, the two major Asian suppliers, rose less in 1960 than in 1959 (14 per cent as compared to 44 per cent); the relative rise was also less than that shown by exports from Western Europe and North America. The drop in the rate of increase was particularly marked in the case of Japan, whose exports of clothing, about three fifths of which were made wholly or mainly of cotton, amounted to $207 million compared to $207 million in 1959. The entire increase went to the non-industrial countries, while shipments to the industrial countries were slightly below those of the previous year. Exports to North America declined for most of the major items, no doubt the joint result of lessened orders and Japan's voluntary limiting of supplies to the United States. Sales to European countries also fell off quite sharply in certain instances. A reduced growth of sales to industrial regions was responsible for the levelling off which also took place in Hong Kong's exports. Unlike Japan, Hong Kong has not undertaken to limit its MORE
supplies to the United States; its agreement with the United Kingdom is in terms of yardage and thus tends to shift the emphasis towards made-up articles. The value of clothing exported by Hong Kong to the industrial countries in 1960 amounted to $136 million, of which North America took $74 million, and the United Kingdom $37 million worth. Of the latter, $10 million were accounted for by cotton shirts (a figure only slightly below that for similar imports from Hong Kong into the United States and Canada combined), and $62 million for cotton slacks and shorts. This item again figured largely in North American imports, to the value of $21 million. Less than one quarter of the clothing exports from Hong Kong ($41 million) was directed to non-industrial areas, but this figure was higher by about $6 million than the level prevailing in the preceding years. (Pages 52-53)

2. Passenger Cars

World trade in passenger cars in 1960 stood under the sign of two developments: the continued success in the United States market of the "compact" cars and the fast-growing tendency of some of the industrializing countries to assemble vehicles rather than import them whole, or else to establish their own motor-car industries capable of satisfying an increasing proportion of the demand by domestically produced components. Nearly 2½ million passenger cars were exported in the world during 1960, about 7 per cent more, in numbers and in total value, than the previous year. The increases for the main exporting areas were very unevenly distributed: the EEC exported nearly 9 per cent more cars, the EFTA countries barely surpassed the previous year's number, but North American exports rose by almost 17 per cent. When, however, values are compared, the North American increase is reduced to 12 per cent - a reflection of the growing importance of the lower-priced compact models. The value of car exports from Japan, still small in comparison with those from the other industrial areas, rose from $5.3 million in 1958 to $8.1 million in 1959 and to practically twice this figure, $16.0 million, in 1960.

The North American import market declined in value by one fifth in 1960; the extent to which suppliers were hit varied from country to country, depending on the relative importance the United States market was allowed to assume in their total car exports. Italy and France were the countries most strongly affected, whereas the impact on the United Kingdom's sales was somewhat mitigated by the relative firmness of the sports cars compared to the medium-sized cars which had to compete more directly against the "compacts".

The losses suffered by the European exporters in the North American market were to a large extent compensated by a rise of more than one quarter in exports to non-industrial countries. (Page 53)

3. Other Manufactures

Exports of machinery, which represent nearly a fifth of world trade in manufactured goods, reached $14,400 million in 1960, an increase on the previous year of some $2,000 million; of the latter the industrial areas absorbed about $1,350 million, bringing their imports to 19 per cent above 1959.

MORE
As regards transport equipment, the demand for imported commercial vehicles (in contrast to passenger cars) continued in most countries. There were large deliveries of commercial jet aircraft from North America, but a lower activity in shipbuilding. World exports of transport equipment rose by $800 million to almost $5,500 million, about half of the increase being due to shipments from North America to the other industrial areas.

World exports of chemicals rose by about 13 per cent from 1959 to 1960, exceeding $6,100 million in the latter year. Nearly half of the total exports from the industrial countries is directed to the non-industrial parts of the world, but shipments to these destinations have lately been rising at a lower rate than trade among the industrialized countries themselves, a contributing factor no doubt being the increasing local production of chemicals in a number of developing countries.

While chemicals as a commodity group is too heterogeneous to be treated in the Report in great detail, an aspect that deserves special mention is the steep expansion in trade in plastic materials which now represent about 14 per cent of world trade in chemicals. (Pages 56-58)
PART THREE

TRADE OF AREAS AND COUNTRIES

A. Industrial areas

A vigorous growth in industrial output in Western Europe and Japan for the second year in succession created a favourable climate for a further expansion of trade among the industrial countries during 1960. A mild recession in North America during the second part of the year hampered to some extent imports into that area but caused no serious repercussions in the other industrial countries which, on the contrary, continued their expansion. A considerable rise in exports, especially to Western Europe and Japan, reversed the tendency, apparent since 1958, of North America's trade balance to decline. (Page 59)

The trade of the industrial countries with each other increased faster than trade with other parts of the world. Whereas the former was 16 per cent higher in 1960 than in 1959, due mainly to increases in trade within Western Europe and higher exports of North America to Western Europe, trade with the non-industrial areas grew only by 12 and 3 per cent for exports and imports respectively, an increase mainly accounted for by Western Europe. This difference in the rate of growth in imports and exports led to a trade surplus of the industrial areas vis-à-vis the rest of the world, amounting to $2,200 million in the place of the approximate balance which had existed in 1959 (both exports and imports at f.o.b. values). (Pages 59-62)

Trade of North America

The upsurge of industrial output in North America which started in mid-1958 levelled off during the first half of 1960 after an irregular development in the intervening year. In the latter half of 1960 it turned into a modest decline due to the economic developments both in the United States and Canada. Both countries had in 1960 a slight drop in imports as compared with 1959, but expanded their exports: the United States from $17,400 to $20,325 million (17 per cent) and Canada from $5,365 to $5,565 million (4 per cent). More than three quarters of the increase in exports went to Western Europe and Japan, while exports to non-industrial areas rose relatively less. Trade between the United States and Canada was a little lower than in 1959. Although small in relation to output, the strength of foreign demand contributed to keeping the recessive tendencies within moderate limits. The substantial increase in the trade surplus brought a large positive balance in the United States current account compared with the previous year when this account was nearly in balance. However, the large deficit in total payments, with a consequent outflow of gold which has been evident since 1958 and has provoked so many comments, continued also in 1960 due to an unusual outflow of short-term capital during the second half of the year. (Page 62)
The greater part of the fall in United States imports in 1960 was caused by a decline in imports from Western Europe which had more than doubled during an uninterrupted period of growth from 1954 to 1959. At the same time 65 per cent of the rise in exports in 1960 went to Western Europe which, unlike the United States, enjoyed a booming economy during the year. In 1958 more than 40 per cent of the almost $3,000 million fall in United States exports was caused by a decline in exports to Western Europe which, though not passing through a recession that year as did the United States, was nevertheless experiencing a levelling off in production. Thus in 1960 the United States had a surplus of more than $1,800 million in its trade with Western Europe, compared with a deficit of about $250 million in 1959. In comparison the surplus in 1958 was $850 million and in 1957 almost $2,400 million. Although trade with Western Europe accounts on the average for only about 30 per cent of all United States exports and 25 per cent of its imports, the great short-term variations, particularly in these exports, seem to be decisive for the trade position of the United States. (Page 63)

The 6 per cent fall in United States imports from Western Europe in 1960 hit all countries in that area except Italy. The United Kingdom suffered the greatest loss ($120 million), which accounted for almost half the decline in total imports from Western Europe.

Imports of passenger cars fell by $220 million and brought to an end the rapidly rising share of European cars on the American market, which had caused their import value to increase sixteen times between 1954 and 1959. (Page 66)

After examining the great variations in trade between the United States and Western Europe in recent years the Report states that these variations have both cyclical and non-recurrent causes. The difference in economic conditions in the two continents, i.e., expansion in Europe and recession in North America, seems, however, to have been the most important factor for the great increase in United States exports in 1960. The gradual liberalization of dollar imports which took place in many West European countries during 1959 and 1960 has undoubtedly also contributed to higher exports from the United States, while the increasingly vigorous American export promotion may have produced some results as well.

It is, of course, far too early to judge whether the United States will be able on a permanent basis to better its performance in the European market compared with the last two years of the nineteen-fifties. A continued high rate of economic development in Europe, requiring substitution of capital for labour, however, should provide a strong demand for American capital goods in Europe. Although the price factor in 1960 was probably overshadowed by the tight supply capacity in Western Europe, it is still worth noting that the increase in the United States unit value index of exported manufactured goods in 1960 was more or less in line with those of most European countries, after having risen more rapidly from 1955 to 1959.
A growing level of personal income, in combination with full liberalization of imports and an intensified American export promotion may also lead to greater demand in Europe for American consumer goods. On the other hand, development of mass markets in Europe for an increasing number of European products may make them more price competitive on the American market and thereby lead to increasing United States imports (provided the products appeal to American tastes) even if imports of passenger cars have reached their saturation point and are going to decline. (Page 68)

Trade of Western Europe

The industrial expansion in Western Europe continued at a high rate in 1960, when production rose by 9 per cent from the previous year, compared with a rise of 7 per cent in 1959. Such a high rate of growth of industrial output in Western Europe has otherwise not been observed since 1954. All countries of the area participated in the growth, although the expansion was on the average nearly twice as great among the common market countries as among the member countries of EFTA. (Page 70)

Trade inside Western Europe rose from $24,000 million in 1959 to $29,000 million in 1960. This was by far the greatest absolute increase ever recorded and only 1951 shows a higher relative growth.

Nearly half of the increase was due to trade among the EEC countries which, growing by 25 per cent, continued to rise more rapidly than any of the other trade flows within Western Europe. While trade in food and agricultural raw materials inside the Community grew at a slower rate than in 1959, there was an acceleration in trade in coal and metals; the larger coal trade being caused especially by an increase in deliveries from the Federal Republic of Germany. It was, however, the more than $1,000 million rise in all kinds of manufactured goods that made trade among the six the most significant feature in commercial developments inside Western Europe in 1960 and presented a convincing argument in support of the claim that the common market was going to bring about a great increase in trade and thereby leading to better utilization of resources, although the actual preferential treatment during the year was rather modest. At the same time one should not forget that during the past decade, long before the common market was set up, there was a clear tendency for trade among these six countries to grow faster than intra-European trade as a whole. (Pages 71-72)

Trade among the seven EFTA countries rose by $460 million, or 15 per cent, during 1960. Thus the rate of growth of intra-EFTA trade was more modest than the rise in trade inside the common market. Moreover, more than half of the increase was in primary products. Compared with earlier years, however, the growth was quite impressive, indicating both vigorous development and great possibilities for further integration among the EFTA countries. (Page 74)
The period elapsed since the creation of the two regional groupings is, of course, too short to serve as a basis for assessing the effects these trading areas may eventually have on the flows of intra-European trade. Rapid economic expansion has hitherto probably played a far more important role in the trade development than the steps so far taken toward economic integration. The great increase in trade between the two areas during 1960, especially in manufactured goods, indicates on the whole that thus far no generally significant diversion of export trade has taken place, despite the fact that total trade within each grouping grew faster than exports to the opposite group. (Page 75)

Turning to the trade of Western Europe with the Rest of the World, the Report states that imports into Western Europe from North America increased in 1960 by more than one third (attaining $7,825 million f.o.b.) and thus greatly surpassed the rate of expansion in trade within Western Europe. EEC increased its imports from North America more than did EFTA, both in absolute and relative terms, i.e. over $1,300 million c.i.f. (44 per cent) against EFTA's $1,000 million c.i.f. (35 per cent). Exports from Western Europe to North America came to $5,080 million and showed for the first time since 1954 a decline ($230 million).

By way of contrast to the great increase in imports into Western Europe from North America, the rise of $500 million in imports from the non-industrial areas, attaining about $13,000 million (both values f.o.b.), must be regarded as very modest, especially taking into account the vigorous expansion in economic activity of Western Europe.

In considering these imports together with those of 1959, which showed a somewhat higher increase, one can conclude that thus far the European production upsurge starting late in 1958 has produced relatively less rise in export earnings of the non-industrial areas than did the rise in output between 1954 and 1956. Taking into account the great importance of Western European markets for the economic life of the less-developed countries, this slow increase in imports points to a further relative deterioration in the lag in export revenues and thereby in development possibilities for the non-industrial countries. (Pages 75-77)

Trade of Japan

During 1960 Japan enjoyed for the second successive year a booming economy, with an extremely high rate of growth both in output and trade. Industrial production, which started to rise again in late 1958 after the 1957-58 recession, increased by 24 per cent in 1959 and by 27 per cent in 1960. This impressive rate of growth was caused by increases both in internal demand and exports, although investments in stocks and equipment were the most important factor. The volume of imports grew in 1959 and 1960 more or less at the same rate as production, while the rise in the volume of exports was 19 and 14 per cent respectively. (Pages 78-79)
Japanese imports in 1960 reached nearly $4,500 million. This was an increase of $900 million, compared with 1959, and of $200 million as compared with 1957, which up to then had been the record year. All major commodity groups showed a marked increase.

Exports increased in 1960 by about $600 million and exceeded for the first time $4,000 million, which was approximately double the amount reached in 1955. In comparison, North America's exports rose by 27 per cent and Western Europe's by just over 40 per cent during the same six-year period. It should be noted that, despite this impressive growth, Japan's exports are still of the same magnitude as the medium-sized trading countries of Europe, i.e., Belgium-Luxembourg, Italy, and the Netherlands.

The contribution of the different groups of commodities to the total increase of exports reflects to a certain extent the rôle played by the various major markets. Exports to North America, which is by far Japan's greatest outlet for consumer goods, levelled off during the year, partly as a result of the recessive tendencies in the United States. Sales to Western Europe, however, where the economy was booming, and where some relaxation of the import restrictions affecting Japanese goods took place during the year, increased by $110 million (about 30 per cent).

Regarding Japan's balance of trade, the trade deficit amounted in 1960 to $440 million (taking imports at c.i.f. values), which was almost $300 million more than in either 1958 or 1959. This great import surplus was due to an increase of about $400 million in the trade deficit vis-à-vis North America, which was only partly offset by moderate gains in export surplus vis-à-vis most non-industrial areas and Western Europe.

Although the total trade deficit was far from negligible, it was modest compared with other years which showed a great increase in production, as for instance 1957, when the deficit amounted to more than $1,400 million, thus compelling the introduction of retrenchment policies. The deficit in 1960 was caused by the failure of exports to grow as fast as domestic demand, a phenomenon which frequently occurs in many industrial countries during periods of rapid economic growth. At the same time the great production increase exercised pressure on imports, although not excessively, taking into account that stocks of imported goods rose during the year. The situation deteriorated however, during the first quarter of 1961, with rapidly rising imports and a fall in exports. (Page 81)

B. Non-industrial areas

Following the recovery in 1959, after stagnating in 1958, the export earnings of the non-industrial areas continued to grow in 1960 and established a new record, at $27,000 million, exceeding the 1959 figure by 5 per cent. The aggregate volume of exports rose by about 4 per cent between 1959 and 1960 and the average unit value of these exports recorded a rise of about 1 per cent during this period. Of the total increase of $1,330 million in

Regions other than the United States, Canada; Western Europe; Australia, New Zealand and South Africa; Japan; the USSR, Eastern Europe and mainland China. MORE
the export proceeds of the non-industrial areas from 1959 to 1960, the overseas members of the sterling area (excluding Australia, New Zealand and South Africa) accounted for $675 million or nearly one half of the total, the non-sterling countries of the Middle and Far East for $395 million and Latin America for $215 million; export earnings of the sterling countries rose by 7.7 per cent between 1959 and 1960 whereas those of the non-sterling countries of the Middle and Far East by 7.2 per cent and those of Latin America by 2.6 per cent. The combined export earnings of the rest (mainly the overseas members of the French Community and the present and former dependent territories of continental Western Europe) continued to stagnate in 1960 for the second year in succession largely because of the fall in the value of shipments from the Congo (Leopoldville) and the Netherlands Antilles. (Pages 82-83)

After having been cut back sharply in 1958 and 1959, the value of imports (f.o.b.) into non-industrial areas, rose significantly in 1960 - well exceeding, at $28,600 million, the preceding high point reached in 1957. The total import expenditures stood in 1960 at a level which was about 9 per cent above that of 1959. The volume of imports expanded by almost 7 per cent between 1959 and 1960 and the upturn in prices added about 2 per cent to the cost of these imports. Of the total increase of $2,400 million in the import outlays from 1959 to 1960, the overseas sterling area (excluding Australia, New Zealand and South Africa) accounted for $1,275 million or about one half of the total, followed by the non-sterling countries of the Middle and Far East ($735 million) and Latin America ($250 million). While imports into the latter region during this period rose by about 3 per cent only, the increases in respect of the two former regions were of the order of 14 per cent each. (Pages 83-84)

In 1960 the trade deficit of the non-industrial countries combined was about $1,600 million as compared with $500 million in 1959 and $2,000 million in 1958. However, these figures include the apparent trade surplus of the main oil exporters and do not reflect the true trade position since oil export figures include the profits of and royalties paid by the oil companies. Excluding the apparent trade surplus of the oil exporters the over-all trade gap of the non-industrial areas in 1960 was close to $4,700 million - a figure that may be compared with $3,300 million in 1959 and $4,800 million in 1958. As in past years much of this deterioration was cushioned, apart from international economic assistance, by some drawing-down of foreign exchange reserves and capital transfers and resulted in a further growth in the aggregate international indebtedness of the non-industrial countries. (Pages 84-85)

Trade of Latin America

The year 1960 again witnessed a relative decline in Latin America's importance in international trade. This region accounted for about 7 per cent of the value of world trade in 1960 - a figure that may be compared with 8 per cent in 1959, 9 per cent in 1957 and 11 per cent in 1950. .... The less
favourable development of Latin American trade as compared to the performance of the other non-industrial countries, despite a similar rate of growth in respect of export volumes, was clearly due to the divergencies in the behaviour of export prices. Notwithstanding periodic fluctuations, the level of average export prices in respect of all non-industrial areas had moved back in 1960 to a level corresponding to that of 1950, whereas Latin American export unit values had over the same period receded by about 10 per cent owing to the growing disequilibrium between the world demand for, and the supply of, the major Latin American export commodities - petroleum, coffee, cocoa and metals. In fact, with the sole exception of 1954, the year of buoyant coffee prices, the development of terms of trade throughout the 1950's has been less favourable for Latin America as compared with the non-industrial areas taken as a whole. (Pages 85-86)

Despite a marked advance towards regional co-operation with the signing of the Montevideo Treaty creating the Latin American Free Trade Association (comprising Argentina, Brazil, Chile, Mexico, Peru and Uruguay, and which entered into force in June 1961) and important steps taken to accelerate the pace of economic integration in the Central American republics, intracontinental trade in 1960 was at a low ebb. At $700 million (or, about 8 per cent of total Latin American exports in 1960), the level of intra-regional trade (in current values) was even below the 1951-59 average.

Trade of Overseas Sterling Area

As a result of the slackening in the rate of expansion in demand for the products of the primary exporting countries, the aggregate value of exports from overseas sterling countries increased by only half as much between 1959 and 1960 as it had between 1958 and 1959 when a gain of almost 11 per cent was registered. However, export earnings at $13,400 million in 1960 marked an all-time record. In almost all the overseas sterling countries 1960 was a period of rising of stable exports; Australia was the only major exception whose exports were 2 per cent lower in value than a year earlier. While export earnings of Burma, Ghana, India, Nigeria, Singapore and South Africa were only 1-2 per cent higher in 1960 than in 1959, significant increases were recorded in Pakistan (22 per cent), Hong Kong (20 per cent), Malaya (18 per cent), Rhodesia and Nyasaland (10 per cent), New Zealand (5 per cent), and Ceylon (5 per cent). (Page 92)

The outstanding feature of the overseas sterling countries' imports was the sharp increase of 17 per cent between 1959 and 1960 (from $12,410 to $14,480 million calculated on f.o.b. basis). In 1960 the value of imports into each of the overseas sterling territories with the exception of Ceylon, Cyprus and Sarawak was higher than a year earlier. The largest increases were in imports into Pakistan (by 85 per cent) and Australia (28 per cent); the latter increase alone accounted for about 25 per cent of the rise in total overseas sterling area imports. Almost all of the remainder of the rise in the area's total import expenditure was accounted for by South Africa, Hong Kong, India, Malaya, New Zealand, Nigeria, Libya, Ghana and Singapore. (Pages 97-98)
Despite a further increase in export earnings of the overseas sterling area, their overall trade balance deteriorated significantly from 1959 to 1960 on account of the upsurge in imports. Calculated on the basis of f.o.b. value of imports, the favourable trade balance of the area which amounted to about $300 million in 1959 was replaced by an adverse balance of about $1,100 million. If costs in respect of insurance and freight are added on to total imports, then the trade gap widened from $700 million in 1959 to $1,900 million in 1960. This deterioration by $1,200-$1,400 million in the trade balance of the overseas sterling area in 1960 was the most notable development and in the wake of deteriorating balances there was a reversal in some countries of the earlier trend towards import relaxations. Nearly three quarters of the net increase in the passive balance of trade of the primary exporting countries from 1959 to 1960 was derived from the overseas sterling area.

The increase in the exports of the overseas sterling area to the United Kingdom - the most important market for most overseas sterling countries - by about $60 million (or about 2 per cent) between 1959 and 1960 was much less than the 5 per cent increase which occurred in respect of non-sterling destinations as a whole. (Page 99)

The outstanding feature of the overseas sterling area imports in 1960 was that the spurt in supplies did not significantly affect the traditional source - the United Kingdom. Of the total increase of $2,070 million in the area's imports (f.o.b.) between 1959 and 1960, the United Kingdom accounted for $220 million only. (Page 100)

The share of the United Kingdom in the overseas sterling area imports which had fallen steeply and almost continuously from 34 per cent in 1953 to 28 per cent in 1959 fell still further to 25 per cent in 1960, i.e., the United Kingdom which accounted for more than one third of the total imports entering the area in 1953 now holds only one quarter of that market. (Pages 100-101)