INTERNATIONAL TRADE 1964: GATT ANNUAL REPORT PUBLISHED

International Trade 1964 is composed of three parts. The first part, examines Recent Trends in International Trade, and includes a Note on the conditions of production in various industries. The second part deals with Trade in Primary Commodities and in Manufactures. It includes foodstuffs, raw materials, manufactures, and trade in individual products, including ore and non-ferrous metals, fuels, textiles and clothing, road motor vehicles. The third part analyses Trade of Areas and Countries. It includes studies of trade in the industrial areas (North America, the EEC, the EFTA, the South European countries) and in the non-industrial areas (Latin America, South East Asia, Africa, Australia, New Zealand and South Africa. There are two Appendix Tables which set out (a) Trade within and between industrial and less-developed areas and the Eastern Trading Area, and (b) Network of total international trade, 1953-1964.

PART ONE

RECENT TRENDS IN INTERNATIONAL TRADE

Main Features of International Trade during 1964

After showing a 5 per cent annual growth rate in 1961 and 1962, the value of world trade developed much faster in 1963 and still more in 1964, reaching nearly $169,000 million. The expansion rates for these two years, respectively 9 and 12 per cent, were very similar to those for 1959 and 1960 when world trade had rallied after an appreciable decline in 1958. In line with longer-term trends, world trade rose more rapidly in volume than world production in 1963, and more particularly in 1964. In the latter year, however, the volume of trade rose nearly twice as fast as production, indicating particularly intense expansion in international trade. This was partly due to the fact that industrial output increased faster in 1964 than in the preceding years in a number of developed countries, in particular the United Kingdom and Japan, which are largely dependent on supplies from abroad. It should also be mentioned, however, that imports by the developing countries grew by 9 per cent in 1964, which was much faster than in the preceding years, while their exports continued to expand at nearly the same rate as in 1963. (Pages 1-2)

In 1959-60 and again in 1963-64, industrial output in the developed countries expanded rapidly after a period of recession (1957-58) or of relatively slow growth (1961). In both these periods trade between industrial areas increased by more than one quarter. But whereas imports and industrial output by the European countries and Japan grew substantially less fast in 1963-64 than in 1958-60, imports by the United States and Canada expanded faster in 1963-1964, particularly their trade with each other. Trade between EEC countries advanced at the same rate in each of these two periods and trade between EFTA countries grew faster during the second period, while imports by each of these regions from other industrial areas developed appreciably more slowly in 1963-1964 than in 1958-1960. Thus, regional trade has taken on growing importance in recent years, not only for the EEC countries where this trend has been virtually uninterrupted since 1957, but also for the EFTA countries in 1963 and 1964. The latter's share of regional trade in their total imports from industrial countries remained in the region of 25 per cent between 1957 and 1962, with the exception of 1960, but rose to nearly 27 per cent in 1963 and 1964. (Page 2)

The volume of exports by developing countries to industrial areas rose by approximately 6 per cent in 1963 and again in 1964, in other words, at a rate similar to that recorded since the beginning of the 1950s. At the same time, the value of these exports rose by approximately 9 per cent in each of the two years due to better commodity prices, whereas in 1958-1960 and more particularly 1960-1962, when commodity prices had fallen off substantially, the export earnings of developing countries in their trade with industrial countries had risen much more slowly, at an annual rate in the region of 5 per cent in 1958-1960 and less.

MORE
than 3 per cent in 1960-1962. The improved trend in their export earnings enabled the developing countries to expand their imports from industrial countries by 5 per cent in 1963 and 10 per cent in 1964, which was close to the rate recorded in 1960, after remaining stagnant in 1961 and 1962. (Page 2)

The total import surplus of the developing countries, taken as a whole, which contracted to $30 million in 1963, marking a significant improvement upon the average trade gap of about $1,500 million during 1957-61, rose in 1964 to $220 million as a result of the growth in export proceeds, which lagged somewhat behind the rise in total import outlays. However, in sharp contrast to a sizeable adverse balance on merchandise account with the industrial areas which characterized the evolution of trade between the developing and industrial areas from 1954 to 1962, there emerged in 1963 a favourable trade balance of about $820 million and this was down to about $640 million in 1964. It may be noted that the net trade deficit of the developing countries in 1963 and 1964 thus was not due to an adverse balance with the industrial countries but resulted from an excess of imports coming from the Eastern Trading Area over exports going to those destinations. The deficit of the developing countries with the Eastern Trading Area amounted to about $850 million in 1963 and about $860 million in 1964 and these figures are strongly influenced by the impressive import surplus of Hong Kong with mainland China ($248 million in 1963 and $335 million in 1964) and the huge trade deficit of Cuba with the Eastern Trading Area. (Pages 2-3)

Exports of manufactures by non-industrial countries have risen much more rapidly than their exports of primary products in recent years. This tendency was particularly strong in 1964, when deliveries of manufactures by non-industrial countries to industrialized areas rose by 18 per cent. In this expansion, a significant role was played by metals, textile articles and certain semi-finished products such as wood products. As it is recognized that it is necessary for the non-industrial countries, in the interest of their economic development, to remove their dependence on a few export commodities and to diversify their economies and production for export, the trend is of particular significance. In this context certain aspects of the conditions of production in various industries with special reference to non-industrial countries are discussed below. (Page 5)

Note on the Conditions of Production in Various Industries

Attempts have been made in various GATT publications, and in particular in International Trade 1961, to show that the long-term balance-of-payments equilibrium of less-developed areas would be greatly facilitated if production and exports of manufactured goods by those areas were able to expand rapidly.

In International Trade 1964 an analysis is undertaken on the conditions of production in various industries which might throw some light on certain aspects of the important problem of the industrialization of less-developed countries. (Page 5)
The difference in remuneration of labour between the less-developed and older industrialized countries, is in general, accompanied by a considerable difference in professional standards and it may be assumed that many less-developed countries find it easier to be competitive for those industrial goods which in the older industrialized countries are manufactured by a process requiring abundant unskilled labour and low capital expenditures. In order to arrive at a systematic classification of manufacturing industries, we have examined the structure of the cost of production in the United States, the country in which industrial wages are the highest, for each of the 430 industries for which comparative data are collected by the statistical services. If average wages and gross profits per person employed are then calculated for each industry, the industries can be easily grouped in three broad categories:

(i) the first category comprises industries in which both wages and gross profits per head are low. In this category we find textiles and apparel, wood products, clay and pottery, leather and miscellaneous industries (musical instruments, toys and sporting goods, articles made of plastic, etc.);

(ii) in the second category we may place activities in respect of which gross profits per employee are comparatively moderate but in which average wages are high. Most of the engineering industries come into this category. In about half of them gross profits per head are low: this applies to ship-building, the aeronautical industry, the greater part of electrical machinery, foundries, ordnance, precision industries and the manufacture of miscellaneous metal articles;

(iii) in the third category we can place industries in which the gross profit per head is high. These include iron and steel, chemicals, certain branches of engineering (the automotive industry in particular), cement and paper manufacture, etc., which necessitate very large investments. The average wages are high as high professional qualifications are usually required of employees in these industries. (Pages 6-7)

After examining specific industries in the first and second categories the Note includes a section on the Iron and Steel Industry in Various Countries. (Pages 10-15)

In its Concluding Remarks the Note states:

The analysis presented tends to bring out the great diversity of the manufacturing industries as regards the pattern of their production costs and to show, as one important element, that the substantial differences existing in the average wage rates prevailing in various countries, principally as a result of unequal degrees of economic development, are likely to correspond to actual differences in costs of production. The most industrialized countries undoubtedly have a considerable advantage in the case of industries requiring both heavy capital
expenditure and highly qualified employees, particularly as it is often in these industries that scientific and technical progress is most rapid. On the other hand, it appears that light industries are capable of being developed in countries in which wage levels are low, even if the labour available is not yet very qualified for industrial work.

It would also seem, as shown by the post-war experience of Japan and several other countries, that industries requiring skilled labour but comparatively low capital expenditure can achieve favourable conditions of production in countries having already reached a certain degree of industrial development. It may be noted in this connexion that Japanese exports of textiles, wood products, pottery, toys and sporting goods, all products of industries belonging to our first group, have on the whole developed at a much more moderate rate than the exports of industries belonging to our second group. Barriers to imports maintained in numerous countries explain this trend to a certain extent, but it is possible that the increase in general productivity and hence of wage levels in Japan has tended to create a situation in which industries requiring neither large capital expenditure nor very skilled labour are progressively becoming less attractive to Japanese entrepreneurs. If the Japanese evolution could be considered as indicating a general trend, it would then be possible to give some concrete though general conclusions on the broad long-term changes which are to be expected in the production potential of industrializing countries. This is undoubtedly a field in which further research might provide useful guidance to governments and international organizations anxious to encourage the economic development of these countries by giving them, as far as possible, the benefit of an international division of labour taking into account the advantage which they possess with their large labour force. (Page 16)

These general conclusions must be qualified and made more concrete by adding that environment obviously determines to a large extent the industrial pattern of each country. Natural resources are an important factor in this respect. In the case of the iron and steel industry for instance, which requires considerable capital equipment and highly skilled labour, we have tried to show that semi-industrialized countries possessing abundant mineral resources may be in a position to produce pig iron and crude steel as well as steel products in relatively favourable conditions. This is the case not only for Australia and South Africa but also for less-developed countries such as India. Although it was not possible to examine in detail the conditions of production in Latin American countries, it seems that countries with important coal and iron ore deposits enjoy a situation similar in many respects to that of India, an assumption confirmed by the fact that iron and steel production is being developed actively in this area. Apart from natural resources and other factors of a geographical nature, the industrial pattern of a country is also influenced to a considerable extent by the trade policies adopted by other countries, both developed and less-developed. Whilst a relatively wide range of manufactured goods can be produced economically in semi-industrialized countries, the possibilities for the majority
of the less-developed countries are still limited, especially for the smaller countries, but future arrangements of international trade relations could no doubt accelerate industrialization by encouraging specialization, both in the field of industry and agriculture, best suited to the basic characteristics of each nation. (Pages 16-17)

PART TWO

TRADE IN PRIMARY COMMODITIES AND IN MANUFACTURES

Main Features during 1964

In 1963 the value of world exports had shown a strong expansion, of 9 per cent, in the case of both primary products and manufactures. This expansion continued in 1964 at the same pace for primary products, which reached £71,000 million, while manufactures rose at an even accelerated rate of 14 per cent to £95,700 million. As a result, the share of manufactures in world trade of all commodities, which had been rising continuously until 1962, reached in 1964 a new peak of 57 per cent, as compared with 45 per cent in 1953.

The growth rates in export earnings from primary products in 1963 and 1964 can be considered as relatively high if compared with developments of earlier years. They exceeded the annual average rate of 5 per cent recorded between 1953 and 1957 and were substantially above the rate of less than 2 per cent of the period 1957-1962. As the volume of trade in primary commodities rose in 1963 and 1964 at rates close to those of the preceding years, the faster growth of export earnings in these two years reflected principally the fact that prices, after having declined by 10 per cent between 1957 and the third quarter of 1962, had been recovering thereafter until the earlier part of 1964. Although this upward movement was again reversed later during the year, for 1964 as a whole export unit values of primary commodities exceeded by about 3 per cent their level of the previous year and stood at a level slightly exceeding that of 1958. Foodstuffs were the commodity group for which the price decline until 1962, as well as the recovery in 1963 and 1964, was particularly pronounced and price movements within this group will be examined in more detail below. Apart from foodstuffs, substantial price increases were also recorded in 1964 in the case of non-ferrous ores. Prices of manufactures on the other side increased only slightly - by 1 per cent - between 1963 and 1964, while the volume of world trade in these commodities expanded at an accelerated rate of 13 per cent, as compared with a rate of 8 per cent in 1963 which was close to the average for the period 1953-1962. (Page 18)

The slower growth in the volume of world trade of primary products as compared with manufactures reflected mainly the continued trend in world demand for these two commodity groups to show widely divergent growth rates. Thus, while world manufacturing activity, which had increased by about 90 per cent between
1953 and 1963, expanded further strongly by 8 per cent in 1964, in the case of primary commodities the growth of production was markedly slower due in particular to the sluggishness of agricultural commodities. After having risen by merely 30 per cent between 1953 and 1963, world agricultural production is estimated to have grown by 1 per cent in 1964.

The accelerated growth rate of world trade in 1964 reflected essentially three major developments: the quickening pace of manufacturing output in industrial countries, certain changes in the market situation of several foodstuffs and finally the increased import capacity of non-industrial countries. Manufacturing production in industrial countries expanded in 1964 by 8 per cent as compared with less than 5 per cent in 1963. In particular, demand for re-stocking purposes and for fixed investment showed a strong revival of cyclical nature and the growth rate of production increased substantially for base metals, from 6 per cent in 1964 to 13 per cent in 1964, as well as for capital goods and semi-manufacturers such as chemicals, non-metallic minerals, wood and paper. For consumer goods industries on the contrary, the rate of growth, although somewhat higher than in the preceding years in particular for textiles and leather, remained well below that of the industries related to investment activities. The pace of imports into industrial areas accelerated from 10 per cent in 1963 to 17 per cent in 1964 in the case of manufactures and from 6 to 12 per cent in the case of raw materials.

Reflecting the main features of economic development in industrial countries, the commodity pattern of their imports was characterized in 1964 by a particularly strong increase in the case of base metals, chemicals, ores, timber and pulpwood; by contrast, imports of natural fibres and rubber did not show any expansion. (Pages 18-19)

In the case of foodstuffs three factors, which largely contributed to the growth in the value of world trade at a rate similar to the 9 per cent shown in 1963, deserve particular mention. First, livestock output in Western Europe failed to increase for the second consecutive year, so that demand from this area not only for meat and butter but also for other fats and oils remained strong, leading to a larger volume of trade for some commodities as well as to higher prices for some others. Secondly, reflecting the crop failure of 1963/64, import requirements of wheat into the Soviet Union and other Eastern European countries showed a strong expansion which was largely covered by exports from industrial countries, in particular North America. Thirdly, smaller crops in two consecutive seasons were at the origin of a recovery in coffee prices, which in 1964 averaged substantially more than in 1963.

Industrial and non-industrial countries did not share to the same extent the expansion of trade in primary commodities other than fuels, in the main market, that of industrial countries. The commodity groups enjoying the most rapidly growing demand, in particular livestock products, feedingstuffs, fruit, ores and forestry products are those traded mainly among industrial countries themselves. On the
other hand, natural fibres, rubber, certain oilseeds and oils, cocoa and tea, which originate mainly in non-industrial countries, failed to show any increase in value terms between 1963 and 1964. Under the combined effect of these two developments, and in spite of the substantial recovery in the price of coffee and a strong rise in exports of a few commodities like iron ore and fishmeal, non-industrial countries were again not in a position to share fully the expansion in markets for these commodity groups as a whole. While exchanges of food and raw materials among industrial countries rose at an accelerated rate of 11 per cent (as compared with 9 per cent in the preceding year), the growth rate of industrial areas' imports originating in non-industrial countries slowed down from 9 per cent in 1963 to 7 per cent in 1964. As a result, continuing the longer-term trend, for primary commodities other than fuels the share of non-industrial countries in the markets of industrial countries fell to 46 per cent in 1964 as compared with 57 per cent in 1952. (Pages 19-21)

Exports of fuels and of manufactures from non-industrial countries continued however to develop at high rates and the improvement in exports earnings from foodstuffs and raw materials in 1963 and 1964 enabled these countries, as shown above, to increase substantially their imports. Food imports from industrial countries, which had already risen by 8 per cent in 1963, rose further by 12 per cent in 1964. The rate of growth of imports of raw materials and manufactured goods accelerated even more strongly from 5 per cent in 1963 for both commodity groups to 19 per cent for raw materials and 12 per cent for manufactures. (Page 21)

Foodstuffs

After an increase of 9 per cent in 1963, the value of imports of foodstuffs and beverages into the main industrial countries combined showed in 1964 a further strong expansion of about 8 per cent to reach a new peak of nearly $23,000 million c.i.f. Most of the commodity groups shown in Table 8, with the exception of sugar, benefited from higher import values. It is, however, noteworthy that the largest part of the increment in the value of all foodstuffs was concentrated, as in the preceding year, in a few broad commodity groups. In 1963, sugar had accounted for about one half and animal products and feedingstuffs for another one third of the increase in the value of all foodstuffs. In 1964, animal products and feedingstuffs showed a further expansion of 13 per cent or $840 million, accounting for nearly one half of the increment for all foodstuffs and tropical beverages, for which the import values rose by about 15 per cent of $470 million, accounted for another one quarter. Increments were also recorded for fresh fruit, about $200 million, and for fish, nearly $150 million. (Pages 21-22)

Coffee, the most important agricultural commodity entering world trade, was essentially responsible for the increase in the value of trade in tropical beverages from $3,000 million in 1963 to $3,470 million in 1964.
In spite of the recovery of coffee prices, in 1964 the price level of tropical beverages remained by about one quarter below its level of 1953-55. The volume of imports of tropical beverages into industrial countries rose substantially, but, as prices of both coffee and cocoa fell sharply, the value of imports of tropical beverages declined markedly until 1961 and even after the recent recovery they did not regain their level of 1953-55. As a result, the share of tropical beverages in imports of foodstuffs into industrial countries fell from nearly one quarter in 1953-55 to 15 per cent in 1964. (Pages 23-24)

**Beef and veal**

In 1964 consumers' incomes expanded by 5 per cent in the EEC and by 3 per cent in the United Kingdom. Consumption of meat, however, did not rise by more than 1 per cent in the EEC and actually declined in the United Kingdom, reflecting the shortage of supplies and important price increases. For 1964 as a whole, retail prices of meat were in the United Kingdom and Italy by about 10 per cent, in France by 7 per cent and in the Federal Republic of Germany by about 5 per cent higher than in 1963. Consumption of meat other than beef and veal however expanded by about 3 per cent in both the EEC and the United Kingdom, and it was essentially for beef and veal that the shortage in supplies was conducive to a decline in consumption of 8 per cent in the United Kingdom and 2 per cent in the EEC. Domestic production of beef and veal declined in both areas by about 6-7 per cent and foreign supplies, which accounted in 1963 for 35 per cent of requirements in the United Kingdom and for 10 per cent in the EEC, were not available in sufficient quantities for meeting the upsurge in import demand. As a result, import as well as domestic prices of beef and veal in Western Europe showed a sharp upward movement.

The situation on world markets between 1955 and 1963 had two dominant features: a sharp expansion in the volume of trade with a rising trend in prices and ample cyclical fluctuations in both volume and prices. World-trade in beef and veal (including the meat equivalent of live animals) increased from 750,000 tons in 1955 to nearly 1,850,000 tons in 1963. (Pages 24-25)

As incomes and therefore demand for meat showed a steady growth in developed countries since the mid-1950's, it would seem that the recurrent movements in the volume and prices of world trade can be related mainly to developments in the supply side. In most cases it appears that production and prices, usually moving in opposite directions, tend to show a cyclical pattern reflecting the characteristics of beef production. (Page 27)

In spite of the production increase in the United States, the acute shortage of 1964 resulted from simultaneous production declines in Europe and in the Southern Hemisphere, due to a sharp reduction in Argentina's output. Imports into Italy remained at the high level of the preceding year and exports from Denmark and France, which had become an exporter of sizeable quantities in the preceding years, were sharply reduced. (Page 30)
Feedingstuffs

While production of meat increased substantially between 1953-54 and 1963-64 in Western Europe and especially in Japan, where its absolute level is still relatively low, it appears that production of traditional feedingstuffs, mainly potatoes and hay, failed to increase at the same pace. (Page 30)

By contrast, supplies of concentrated feeds, for which the share of imports is substantial in the case of grain and predominant in the case of oilcakes and fishmeal, have shown a very fast growth in Western Europe and Japan between 1953-55 and 1963-64, by far outpacing that in livestock production. (Page 31)

The strong rise in import requirements of coarse grain and other feedingstuffs (including the oilseeds from which oilcakes are produced) in Western Europe and Japan, benefited to a large extent other industrial countries. For the EEC, the United Kingdom and Japan, taken together, the value of imports of these commodities nearly doubled between 1953-55 and 1963-64. However, imports originating in non-industrial countries rose by less than one half, while those originating in industrial areas nearly trebled. This is due to a certain extent to the fact that soyabean imports of which more than trebled, are practically not exported by non-industrial countries, while trade in other oilseeds exported mainly by these countries failed to rise by more than 12 per cent. Moreover, non-industrial countries, although they were able to maintain their share of the fast-growing demand for oilcakes and fishmeal, tended to lose ground as exporters of coarse grains. (Page 33)

RAW MATERIALS

Imports of raw materials into the main industrial areas combined showed in 1964 an accelerated growth rate of 12 per cent, twice as fast as in the preceding year, and reached a new peak of about $17,400 million c.i.f. Reflecting the already mentioned features of economic growth in industrial countries, the bulk of the increase was accounted for by ores and scrap and by forestry raw materials which, taken together, expanded by $1,600 million, or 22 per cent, as compared with an increase of only 6 per cent in the preceding year. By contrast, due to the relatively smaller growth of the textile and leather industries, and particularly to the growing substitution of manufactures for natural materials, imports of agricultural raw materials showed hardly any rise in value. (Pages 33-34)

The stagnation in consumption and imports of agricultural raw materials in industrial countries was a continuation of a longer-term trend. Consumption of natural fibres increased between 1953-55 and 1963 by only 10 per cent and that of natural rubber by even less for industrial countries taken together. The bulk of the increment was accounted for by the increase in consumption in Japan; a smaller increment in Western Europe hardly offset the decline in consumption in North America during this period. The sluggish rise in the volume of imports of natural fibres and rubber was accompanied by a decline in prices which in 1963 were for both textiles and rubber by about 10 per cent lower than in 1953-55. Between
1953-55 and 1964, the value of imports of agricultural raw materials into in­ustrial countries increased by only 5 per cent or $310 million, on account of a substantial rise in imports of hides and skins, while the value of imports of fibres failed to increase and that of rubber declined. As a result, agricultural raw materials, which in 1953-55 accounted for nearly one half of imports of all raw materials, saw their share decline to 38 per cent in 1963 and to 34 per cent in 1964. By contrast, reflecting the strong expansion in demand for these commodities which was conducive to a substantially larger volume of trade at generally firm prices, imports into industrial areas increased in value terms between 1953-55 and 1964 by about 85 per cent in the case of timber and woodpulp as well as of ores and scrap. As a result, the combined share of these commodities in total imports of raw materials into industrial countries rose from 40 per cent in 1953-55 to 51 per cent in 1964. (Page 35)

Manufactures

Exports of manufactures from industrial areas, which had already increased by 9 per cent in 1963, expanded further by 15 per cent in 1964 as a result of an acceleration in trade among industrial areas themselves combined with a sharp rise of demand in non-industrial countries. Exports from non-industrial countries also rose at a higher rate in 1964 than in the preceding years, largely on account of the buoyant demand situation for several groups of semi-manufactures in industrial areas.

Exchanges of manufactures among industrial countries rose by 16 per cent in 1964 to reach $52,500 million f.o.b. All broad commodity categories shared in this expansion, but a particularly high growth rate of 22 per cent was experienced by base metals, for which the cyclical movements in production and trade are particularly pronounced. (Pages 35-37)

Non-industrial areas' imports of manufactures coming from industrial countries after having declined in 1962 for the second consecutive year, recovered in 1963 and witnessed an accelerated growth of 12 per cent in 1964, when they reached nearly $22,500 million f.o.b. This growth was concentrated on manufactures essential for their economic development, capital goods and semi-manufactures for further processing, in particular base metals and chemicals, accounting together for about three quarters of the total increment. (Page 37)

Non-industrial countries also benefited from the expanded import requirements for manufactures in industrial areas, whose imports originating in non-industrial countries expanded in 1964 by 18 per cent, i.e., as fast as trade in manufactures among themselves. Nearly one half of the total increment was accounted for by base metals (nearly exclusively non-ferrous metals) which increased by 22 per cent or $320 million, and another one quarter by other semi-manufactures among which processed timber is the most important. Textiles and clothing experienced also a substantial increase of 15 per cent or $130 million, but chemicals expanded only

MORE
moderately. Although exports of manufactures from non-industrial countries have tended to increase at substantial rates not only in 1964 but also in the preceding years it has to be stressed that deliveries from non-industrial countries still represented in 1964 no more than 7 per cent of total imports of manufactures into industrial areas and that they were essentially composed of a relatively limited range of commodities. (Pages 37-40)

**Longer-term trends in consumption and trade of non-ferrous ores and metals**

Consumption of non-ferrous metals in industrial countries tends to follow quite closely the movement of their economic activity, in particular of engineering and construction, the sectors which account for the bulk of metal utilization. For nine major industrial countries, combined engineering and construction rose by about 60 per cent between 1953-54 and 1963-64 and consumption of non-ferrous metals rose at a similar rate. (Page 40)

Between 1953-54 and 1963-64 the rise in consumption of non-ferrous metals was very unequally shared between the individual metals. The most striking feature was the wide discrepancy in growth rates for aluminium, on the one hand, which largely outpaced that of production of engineering and construction, and for heavy metals (copper, zinc, lead and tin) on the other. Thus, aluminium consumption increased sevenfold in Japan, trebled in the EEC, and nearly doubled in the United Kingdom and the United States. At the same time, consumption of heavy metals expanded considerably in Japan and the EEC, although far less rapidly than that of aluminium, but rose by only one third in the United Kingdom and less than 10 per cent in the United States. For the nine countries taken together, consumption of aluminium more than doubled, while that of heavy metals rose by about 40 per cent. Within the group of heavy metals, especially lead and tin seem to have been subject to substitution and their consumption rose by only one fifth as compared to about one half for copper and 40 per cent for zinc. (Page 41)

The expanding needs for aluminium were primarily met by domestic production which, for the nine countries combined, increased nearly as fast as consumption. (Page 42)

The share of less-developed countries in world trade of non-ferrous ores and metals declined somewhat between 1953-54 and 1963-64. The growing import needs for aluminium, on the one hand, have been mainly covered by exports from Canada, Norway and Austria, countries where the availability of cheap electric power allows for a continued expansion of production, and shipments from less-developed countries (mainly Cameroon) still represent less than 5 per cent of world trade. Expanding exports of bauxite, mainly from Caribbean area to the United States, and of alumina, mainly from the Caribbean area and Guinea to Canada, Norway and Austria, made it possible, however, for less-developed countries to increase their earnings by about $70 million, while trade in aluminium among industrial countries rose by $400 million. For heavy metals, on the other hand, although less-developed countries have been able to maintain their share of world markets for copper, they lost...
ground in respect of zinc and lead: exports of zinc from less-developed countries rose by less than 10 per cent and those of lead declined, while exports from Canada and Australia, the two main exporters among developed countries, increased by one-third for zinc and one-fifth for lead. It may also be mentioned that consumption and imports of non-ferrous metals in less-developed countries, especially semi-industrialized countries, has risen at a rapid rate during the last ten years. For instance, the import requirements for all non-ferrous metals in India increased nearly fivefold between 1953 and 1963, all metals sharing in this expansion. Imports of all less-developed countries combined also rose at a considerable rate, though more slowly than in the case of India, and seem to have trebled during this period. (Pages 42-43)

**TRADE IN INDIVIDUAL PRODUCTS**

<table>
<thead>
<tr>
<th>Product</th>
<th>Page</th>
<th>Product</th>
<th>Page</th>
<th>Product</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>43</td>
<td>Sugar</td>
<td>48</td>
<td>Jute</td>
<td>55</td>
</tr>
<tr>
<td>Coarse grain</td>
<td>44</td>
<td>Fresh fruit</td>
<td>49</td>
<td>Hard fibres</td>
<td>55</td>
</tr>
<tr>
<td>Rice</td>
<td>45</td>
<td>Coffee</td>
<td>50</td>
<td>Rubber</td>
<td>55</td>
</tr>
<tr>
<td>Beef and Veal</td>
<td>46</td>
<td>Cocoa</td>
<td>51</td>
<td>Iron ore</td>
<td>56</td>
</tr>
<tr>
<td>Butter</td>
<td>47</td>
<td>Tea</td>
<td>52</td>
<td>Non-ferrous ores</td>
<td>57</td>
</tr>
<tr>
<td>Vegetable oilseeds</td>
<td>47</td>
<td>Cotton</td>
<td>53</td>
<td>and metals</td>
<td>57</td>
</tr>
<tr>
<td>and oils</td>
<td></td>
<td>Wool</td>
<td>54</td>
<td>Fuels</td>
<td>58</td>
</tr>
</tbody>
</table>

**Textiles and Clothing**

The growth which had occurred in world trade in textiles and clothing since 1962 continued without interruption throughout 1964 at approximately the same rate as during the previous year.

This upward movement, although not keeping pace with the development of international trade in manufactures as a whole, has in recent years put the brake on the well-known long-term tendency towards contraction in the share of textiles and clothing in total world trade, as well as on the decline in the ratio of international trade to production of these items. The revival of international trade in textile products has been due not so much to trade in traditional yarns and fabrics - although there have recently been some gains in exports of these from developed and developing countries alike - as to increased trade in novelty goods and specialities, especially among the industrialized countries. The particularly strong expansion of trade in clothing also indicates a relative shift to made-up goods in international textile trade.

However, in spite of relatively buoyant conditions both in production and trade, as well as heavy investments and evidence of structural changes, some of the basic problems with which the textile industries in both developed and less-developed countries have been confronted for some time were still very much in
evidence during 1964. These problems and difficulties have been brought about by a combination of factors. In the first instance, there has been sharp and severe competition between the textile industries themselves, accentuated by the development of new materials, new processes and new techniques. Secondly, some of the export markets of the European and American industries have been falling away because of the development of production in the less-developed countries. Thirdly, the new industries in the less-developed countries have been exercising an increasingly competitive pressure on the domestic markets of the industrialized countries. Finally, there are the problems which arise for the developing countries, particularly in the case of cotton products, because of the safeguards taken in the industrialized countries of Western Europe and North America on the grounds of the disruptive effects of imports. At the same time greater self-sufficiency and export availabilities in an increasing number of less-developed countries have sharpened the competition among this group of countries.

Against this background, trade in textiles and clothing continued to be an important preoccupation for most trading nations in 1964. Total world exports in 1964 in these products, at an estimated $9,700 million, showed an increase of 11 per cent over the previous year's level. Yarns and fabrics rose by nearly 10 per cent and clothing, at $2,000 million, went up by about 17 per cent.

While all the major exporting areas shared in the growth of trade, about three quarters of the increase was due to greater sales by the industrialized countries of Western Europe and North America. Again intra-European trade, and particularly sales within the Common Market, accounted for a large part of the gain, although relatively more so in clothing than in yarns and fabrics. In the case of North America, a considerable increase in exports of yarn and fabrics, mostly to Western Europe, was particularly noticeable. Of the major Asian suppliers, Japan had the greatest gain in exports of yarns and fabrics, after a temporary decline in 1963. Both Hong Kong and Japan accelerated their exports of clothing.

The tempo of expansion can again be ascribed to the further advance in consumption of man-made fibres as compared with cotton and wool and to the consequent contribution of the man-made fibre textile industry to exports. Man-made fibres are increasingly used in blends with natural fibres and have given new vitality to the cotton and wool industries, a fact which should be kept in mind when analyzing the fortunes of the various fibre textiles. As for trade in yarns and fabrics of traditional fibres, wool showed a decline while jute experienced a substantial gain. Activity in cotton is estimated to have been marginally higher in 1964.

Cotton textiles

Cotton textiles (i.e., yarns and fabrics) have not, in the last few years, shared in the expansion which took place in international trade in textiles and clothing as a whole, as the trend both in production and trade in the cotton
sector has been of a predominantly declining character. However, the cyclical upward trend in production, which started at the end of 1963, continued to be more pronounced during 1964 and trade, having steadily declined since 1960, is estimated to have been slightly greater than in 1963.

Although the cyclical recovery was evident in most of the world's cotton industries in 1964, a number of setbacks affected, to varying degrees, different parts of the industry and different countries. This is attributable to increased competition by man-made fibres and, to some extent, to depletion of stocks. At the same time, more man-made fibres were being processed in the cotton industry than before. It would seem that this phenomenon will persist, as the continuing upswing in the economies of many countries should have favourable effects as regards demand for textiles, and the tendency is for the man-made fibres to take an increased share of the total market. (Pages 62-63)

It is estimated that, after a steady slowing-down over the previous three years, international trade in cotton yarn and fabrics in 1964 was fractionally higher than in 1963. The low rate of growth should not necessarily be taken as implying an unsatisfactory performance, especially when viewed against the fact that some of the traditional importers in Asia and Africa have started their own cotton textile industries, thus accentuating the growing trend towards self-sufficiency. A salient feature in 1964 trade was the movement towards higher value in exports from a number of countries.

World trade in cotton fabrics, excluding the Eastern Trading Area, is estimated to have been marginally higher than in 1963. However, the increase in sales of cotton fabrics was less than in the case of yarns, probably due to some switching of demand from woven fabrics to cotton knitted goods. Changes in the volume of exports from Japan, India, Hong Kong and the United Kingdom were comparatively small; shipments from the United States registered a moderate increase, whereas those from continental Western European countries, taken together, showed some decrease. (Pages 63-64)

Man-made fibre textiles

The striking rise in man-made fibre production and trade, and the rapid advance in mill consumption, point to the stimulating growth and influence of cellulosics and synthetics in a more virile textile industry. (Page 68)

International trade in cellulosics and synthetic textiles is moving in the same direction, favoured by a healthy growth in demand. United Kingdom exports of man-made fibres were up by 22 per cent. On the basis of the latest estimates, this country's exports of staple fibres increased by 16 per cent, yarns by almost one fifth and fabrics were 13 per cent higher. In value terms, exports of yarns, staple fibres and fabrics, at an estimated $222 million, were 17 per cent greater than in 1963. Fabrics increased from $44 million to $53 million in 1964 and included almost $10 million worth of blended fabrics of synthetic fibres and wool;
this was a 38 per cent rise and helped to enhance the export development of the wool textile industry. An analysis of exports by destination reveals that most of the main markets shared in the improvement, the most substantial increases in fabrics being in shipments to New Zealand, Canada, Ireland and the EFTA countries. (Page 69)

**Wool textiles**

The sharp upsurge which took place in trade in wool tops during 1963, when exports rose by about 12 per cent over the previous year, swung the other way in 1964, the total of around 110,000 tons being 8 per cent below the 1963 level. (Page 71)

World trade of wool yarn (woollen and worsted) in 1964 is estimated to have been about 4 per cent lower than the 1963 level and at much the same level as in 1962. (Page 71)

Exports of woollen and worsted fabrics (excluding blankets) from the main producers (the Common Market countries, the United Kingdom, Japan, Austria and Switzerland), at around 108,000 tons, were 1 per cent less than the 1963 level. (Page 72)

**Jute**

Total exports of jute manufactures from the six countries - India, Pakistan, the United Kingdom, Belgium, France and the Federal Republic of Germany - in 1964, at an estimated 1,385,000 tons, were 13 per cent over the previous year's level. This increase was largely attributable to India, shipments from which, at 1,047,000 tons, were almost a fifth higher. The total value of Indian exports of jute manufactures, at $368 million, was a tenth more than in 1963. Prices witnessed a sharp upward movement in the latter months of the year, especially in the heavy goods sector. (Page 74)

**Clothing**

World trade in clothing continued its lead over textiles in 1964. Like most manufactured goods, the clothing industry has been concentrated mainly in the industrialized countries of Western Europe and North America, Japan and Hong Kong. In the last couple of years, new producers in the developing countries - namely, Macao, Jamaica, Pakistan, Israel, India and the Philippines, and also in mainland China - have entered the international market.

The expansion in trade in clothing in 1964 reflected an increase of 17 per cent over 1963. The continuing high level of trade among the industrialized countries was probably stimulated by a rise in demand for consumer goods, consequent to a progressive increase in the standard of living in many industrial countries, greater use of man-made fibres in clothing, easily adaptable to modern conditions, and the rapid changes in taste for different types of clothing. (Page 75)
World production of road motor vehicles continued to expand for the third consecutive year; in 1964, total output advanced by 6 per cent to 21.5 million units, compared with an increase of 15 per cent in 1963. However, the growth in production of passenger cars has markedly slowed down during the last few years, from nearly one quarter in 1962 to 15 per cent in 1963 and to 5 per cent in 1964, when about 17 million units were manufactured. Production of commercial vehicles, on the other hand, increased by one tenth to 4.5 million units in 1964, or nearly as fast as the year before, responding to strengthening internal demand in some industrial countries with high investment activity, and to high external demand, in particular from non-industrial areas. (Page 77)

In contrast to the development of world production, trade in motor vehicles continued to accelerate. After a decline in 1961 total exports had increased by 12 per cent in 1962 and by 13 per cent in 1963; in 1964, they advanced further by 15.5 per cent to just over $7,400 million. However, trade in passenger cars, accounting for slightly more than half of the total, and in all other products, comprising primarily commercial vehicles and bodies and parts for passenger cars and commercial vehicles, followed diverging trends. While the growth in passenger car exports gradually slowed down from 23 per cent in 1962 to 13.5 per cent in 1964, the growth in shipments of all other items accelerated from 2 per cent in 1962 to 18 per cent in 1964, with the latter rate applying to trade in both commercial vehicles and in bodies and parts for vehicles. In 1964, the value of passenger car exports reached $3,800 million, and shipments of bodies and parts and of all other items (i.e., primarily of commercial vehicles) amounted to approximately $1,800 million each. Interestingly, the growth in passenger car exports was markedly above that of world output, in contrast to the development during the preceding two years when both had grown at identical rates. (Pages 78-79)

All the major exporting countries and areas profited from the continued boom in the automobile trade; but while shipments from Western Europe rose at a rate similar to that recorded in 1963, those from North America and Japan accelerated markedly. In 1963, Western Europe had furnished 70 per cent of the increment in world trade in motor vehicles, and North America and Japan the rest; in 1964, Western Europe's share fell to about 60 per cent. Exports from North America rose by 23 per cent to $1,690 million (of which $400 million for passenger cars, including chassis, $930 million for bodies and parts of vehicles, and the residue for commercial vehicles), compared with increases of 14 and 9 per cent registered in 1963 and 1962, respectively. Growth rates of about one fifth to one quarter apply equally to sales of passenger cars, commercial vehicles and bodies and parts, as well as to shipments to industrial and non-industrial areas. However, nearly the entire increase in exports to industrial areas was accounted for by a sharp expansion in intra-North American trade in passenger cars and in bodies and parts, while the growth in shipments to Western Europe slowed down from 16 to 10 per cent. Similarly, almost all of the increase in deliveries to non-industrial areas was accounted for by exports to Western Europe.
areas went to Latin America, Australia and South Africa; in particular, exports to Latin America advanced by over one third after they had declined slightly in 1963. By contrast, deliveries to South-East Asia and the Middle East declined after sharp increases during the preceding year. (Pages 80-81)

The most spectacular rise during recent years occurred in Japanese exports of road motor vehicles which, between 1960 and 1964, advanced by nearly 180 per cent to $300 million. In 1964 alone, exports of passenger cars almost doubled to $77 million, while those of all other products, of which commercial vehicles constitute over four fifths, rose by 28 per cent to just over $220 million. Exports to industrial areas, of which most go to North America, nearly doubled during each of the last four years and now account for almost one third of the total, compared to a share of 6 per cent in 1960. On the other hand, deliveries to South-East Asia, which in 1960 absorbed about four fifths of total Japanese exports, stagnated at slightly above $100 million during the last four years and their share fell to about one third in 1964. The remaining third goes to other non-industrial areas, to which sales have also expanded extremely rapidly; in 1964, those to Latin America and to Australia, New Zealand and South Africa as a group, alone rose by 41 and 92 per cent, respectively. (Page 82)

**PART THREE**

**TRADE OF AREAS AND COUNTRIES**

**Industrial Areas**

**Main features during 1964**

After a slight slowdown in 1963, aggregate economic growth of industrial countries accelerated again in 1964. In Western Europe, production in the United Kingdom, the Federal Republic of Germany, the Benelux countries and Scandinavia was markedly higher than in the preceding year; only in France and Italy did stabilization measures, introduced to check inflationary pressures, have an adverse effect on economic activity, bringing the expansion of demand and production, particularly in the latter country, to a halt. North America was in the fourth year of continued economic growth which, in 1964, was considerably more lively than the year before and hardly showed any signs of weakening. A salient feature of development in 1964 was the gradual shift in the importance of expansionary forces from private and public consumption to investment demand. (Page 83)

Higher industrial growth and consequently increased requirements for raw materials and semi-finished products, in particular of such import-dependent Western European countries as the United Kingdom, the Federal Republic of Germany, Belgium and the Netherlands, but also of the United States, and strengthening
external demand for capital goods, due to the revival of investment activity in both North America and Western Europe, gave strong impetus to the development of world trade in general, and to trade between industrial countries in particular. Trade between industrial areas (exports f.o.b.) expanded by 14 per cent to nearly $76,300 million, compared to an increase of one tenth registered the year before. (Pages 83-84)

By destination, the development of trade between industrial countries in 1964 reflected fairly well the diverging patterns of economic growth in major areas. The growth in intra-North American trade accelerated markedly from 6 per cent in 1963 to 14 per cent the following year, when it reached $8,760 million. Intra-European trade equally expanded by nearly 14 per cent (to $45,850 million), but this was only a moderately higher rate than the one recorded in the previous year, as a slowdown in intra-EEC trade and in deliveries from other West European sources to the Community was barely offset by a sharp acceleration in intra-EFTA trade and in shipments to this area. In particular, trade between the EEC and EFTA was to a large extent influenced by the effects of demand contraction in Italy and France on the one hand, and by the high import requirements of the United Kingdom on the other. This development in 1964, in fact, constitutes a rather marked change in recent trends of trade between both areas: exports of the EEC to EFTA picked up again after two years of moderate 5-6 per cent increases and rose by 11 per cent in 1964, while the growth in EFTA exports to the EEC dropped to 6 per cent, following a sustained annual expansion of 11 per cent during the three preceding years. However, the latter development was largely due to very low gains in United Kingdom exports to the EEC; by comparison, combined shipments from all other EFTA members advanced by 9 per cent in both 1963 and 1964. (Page 84)

Most significant also was the revival of trade between North America and Western Europe: exports of the latter region to North America rose by one tenth (against 3 per cent in 1963) to $6,090 million, and shipments in the opposite direction advanced by 16 per cent to $9,780 million, or nearly twice as fast as during the preceding year. (Page 85)

The rapid expansion in trade between industrial countries in 1964 was paralleled by remarkable gains in their exports to non-industrial areas. During the previous years, shipments from non-industrial to industrial countries had risen considerably faster than those in the opposite direction. This favourable development in export earnings and improvements in the balance-of-payments position of many non-industrial countries led to a strengthening of their import demand. As a result, the growth in total exports of industrial to non-industrial areas accelerated to 12 per cent in 1964, when total deliveries were just over $28,000 million. (Page 85)

The growth in combined exports of non-industrial to industrial countries, on the other hand, weakened somewhat to about 8 per cent as deliveries to all major industrial regions except EFTA rose more slowly than the year before; in total, they stood at $27,840 million. As far as exports to the EEC and Japan are
concerned, this slowdown is partly explained by the demand-restricting stabilization measures adopted in these areas. But in general, aggregate import demand of industrial countries for foodstuffs and beverages seems to have weakened, and in addition, the price trend for these commodities flattened out in the course of 1964. On the other hand, exports from non-industrial areas of such raw materials as ores, rubber, cotton and jute increased considerably, primarily due to higher industrial requirements in the United States, the United Kingdom, Japan and some EEC countries. Likewise, non-industrial exports of non-ferrous metals profited from the sharp rise in demand and prices. Oil exports continued to expand steadily at high rates. From the fragmentary data available, it also appears that deliveries of manufactures, in particular of textiles and clothing, and of semi-manufactured goods, showed appreciable gains. But in general, the favourable development in sales of raw materials did not quite offset the slackening in exports of foodstuffs and beverages. (Pages 85-86)

Exports of industrial countries to the Eastern Trading Area rose by one quarter in 1964 to $4,255 million, compared to an increase of 6 per cent in 1963. In turn, deliveries of the Eastern Trading Area to industrial regions advanced by 11 per cent, as in 1963, to $3,835 million. While in previous years trade between both groups of countries had essentially been balanced, exports of industrial countries in 1964 exceeded those in the opposite direction by the substantial amount of $420 million. (Page 86)

Total exports of industrial countries to all areas rose by 14 per cent in 1964 to $109,290 million. During the past decade, similarly high rates were only reached in 1960 and 1956. Interestingly, in these two years as well as in 1964, trade between industrial areas and deliveries to external destinations advanced at roughly similar rates of 11-15 per cent; another similarity in the trade development during these three years is the exceptionally strong expansion in trade between Western Europe and North America. (Page 86)

The remarkable export growth in 1964 was primarily concentrated on sales of manufactured goods, and - as in 1950 and 1956 - in particular on sales of semi-manufactures and capital goods for which demand was strong in nearly all parts of the world. As already indicated, only the United Kingdom did not share in this export expansion; that country's shipments of manufactured products, in fact, rose by only 5 per cent in 1964, with no increase at all in the important capital goods sector. In spite of the favourable development of world demand in 1964, the growth in United Kingdom exports of manufactures has, as in previous years, remained markedly below that of world trade in these commodities. Between 1958 and 1964, total exports of manufactures from industrial areas have increased by 74 per cent, but United Kingdom exports by only 31 per cent, and their share in the total has fallen from 17 per cent in 1958 to 13 per cent in 1964. (Page 87)
North America.

Favourable economic conditions and developments abroad had positive effects on total North American exports, which rose by 16 per cent to $31,880 million, or nearly twice as fast as in 1963. The prolonged boom on the North American continent itself led to a marked acceleration in the growth of trade between the United States and Canada. Intra-North American trade, which amounts to over one quarter of both countries' combined exports, rose by 14 per cent to $8,760 million, after increases of 6-7 per cent registered during the two preceding years.

Total exports to other parts of the world - which, after a slight decline in 1962, rose by one tenth in the following year - advanced by as much as 17 per cent to $23,120 million in 1964, with both the United States and Canadian exports following fairly similar trends. This development was largely the result of the higher import requirements of industrial countries and of strengthened demand from non-industrial areas which had fairly steadily increased their foreign exchange and gold reserves between the end of 1962 and the middle of 1964. In addition, while inflationary tendencies, though weakening, persisted particularly in Western Europe, the competitive position of North America improved further as costs and prices remained stable. Significantly, North American exports to all major parts of the world rose at higher rates than the year before. (Page 88)

The acceleration in domestic economic growth in turn led to a markedly faster expansion of North American imports. Total purchases from abroad rose by one tenth to $25,630 million, or twice as fast as in 1963. However, nearly half of the absolute increase in imports of $2,310 million is accounted for by the rapid expansion in intra-North American trade. The growth in imports from the rest of the world accelerated less sharply from 5 per cent in 1963 to 8 per cent in 1964, when total purchases reached $16,600 million. Moreover, as this expansion was largely concentrated on additional purchases of semi-manufactures and finished goods, in particular wood products, paper manufactures, base metals, machinery and transport equipment, clothing and scientific and photographic instruments, it was imports from industrial areas which mainly benefited from this expansion with an advance of 13 per cent (against 5 per cent in 1963) to $8,200 million. (Page 89)

As, in the case of both the United States and Canada, exports rose considerably faster than imports, their trade surpluses increased further, a favourable development as regards the balance-of-payments situation of both countries. (Page 90)

The European Economic Community.

In 1964, not only were the disequilibrium tendencies which had developed during the preceding year largely checked, but economic growth in all member countries, except Italy, was considerably higher than in 1963.
Excessive consumer demand in Italy and France had caused inflationary strains in 1963 and this had hampered both countries' export growth and had inflated their import requirements, a development which caused serious balance-of-payments problems, particularly in Italy. To redress this situation, stabilization measures to restrict demand were introduced in Italy and France and this had marked effects on the economic and trade development of both countries in 1964. These measures had an immediate effect on the manufacture of automobiles and consumer durables. Reduced activity in these industries spread to other sectors, and the subsequent decline in hours worked, employment and incomes finally led to a general recession. (Pages 95-96)

In France, the stabilization programme began to have depressive effects on industrial production and private investment activity. On the other hand, economic growth accelerated sharply in the Federal Republic of Germany. (Page 96)

In the Benelux countries, economic growth - already high in 1963 - continued to progress further as industrial production was stimulated by strengthening internal and external demand and by a pronounced revival of investment activity. (Page 96)

As a result of these diverging trends, the development of the Community's total imports and exports (including internal trade) differed little from that in 1963: import growth slowed down somewhat from 13 to 11 per cent, while export growth accelerated moderately from 10 to 13 per cent.

Due to the compensatory effects of the contraction in demand in Italy and France and of the expansion in demand in the Federal Republic of Germany and the Benelux countries, intra-EEC trade (exports f.o.b.) rose only slightly slower in 1964 than the year before, i.e., by 15 per cent to $18,380 million. (Page 99)

Combined imports (c.i.f.) of the EEC from the outside world rose by about one tenth as in 1963, to $26,840 million. Here, too, the stable growth reflects the offsetting effects of the strong expansion of import demand in the Federal Republic of Germany and the Benelux countries, and of demand contraction particularly in Italy. (Page 102)

Nearly one third of the total increment in EEC imports from the outside world was due to higher purchases of agricultural raw materials, which rose by 13 per cent (against 5 per cent in 1963) to $5,670 million. Imports of base metals, which had nearly stagnated the year before, advanced by 9 per cent to $1,760 million, while those of chemicals and other, primarily semi-manufactured industrial goods, increased as fast as in 1963, i.e., by 12 per cent (to $1,200 million) and by 17 per cent (to $2,490 million), respectively. (Pages 102-103)

As the import growth was concentrated on raw materials, semi-manufactures and foodstuffs rather than on finished goods, the developing countries profited relatively more than the year before. Purchases from non-industrial areas, in
fact, rose by 11 per cent to $10,920 million, compared to 7 per cent in 1963, while the growth in imports from industrial countries slowed down from 12.5 per cent in 1963 to 8 per cent in 1964 when total purchases reached $14,460 million.

Combined exports of the member States to third countries rose by 12 per cent to $24,160 million, after a relatively modest growth in 1963 and 1962 of 5 per cent and 1 per cent, respectively. All member countries participated at fairly even rates of 10-13 per cent in this export expansion. (Page 103)

For the EEC as a whole, the continuous deterioration in the external trade balance to a record deficit of $3,050 million in 1963 was stopped in the second quarter of 1964. As of the third quarter, a gradual improvement was registered, and for the year as a whole, the deficit was reduced to $2,560 million. (Page 105)

The European Free Trade Association

In 1964, economic growth in EFTA was considerably higher than the year before. Industrial production accelerated in all member States, and gross national product rose markedly faster except in Switzerland and Portugal, where the rates of increase were almost identical to those registered in 1963. (Page 105)

Primarily as a result of higher industrial requirements for raw materials, semi-manufactures and capital goods, but also due to a strengthening demand in some countries for foreign consumer goods, total EFTA imports (including internal trade) rose by 14 per cent to $30,110 million, or twice as fast as in 1963. All member countries except Norway participated in this acceleration of import growth which was particularly pronounced in the case of Denmark and the United Kingdom. (Page 105-106)

Reflecting this concentration of import growth on manufactured goods, purchases from industrial countries expanded considerably faster than those from non-industrial areas; the former increased by 17 per cent to $21,130 million, the latter by only 7 per cent to $7,740 million. Imports from the Eastern Trading Area rose by one tenth to $1,240 million.

Total EFTA exports, on the other hand, showed a slight slowing down in growth from 9 per cent in 1963 to 8 per cent the following year, when they reached $23,550 million. However, this development was primarily due to the weakening in British export growth from 8 to 4 per cent. By comparison, deliveries of all other EFTA members combined advanced by 13 per cent, against 10 per cent in 1963. (Page 106)
The South European countries

Aggregate economic growth in Southern Europe in 1964 was somewhat lower than the year before, as less favourable developments in agriculture were not quite offset by a boom in industrial activity. (Page 122)

The acceleration in industrial growth was partly caused by strong external demand, especially from Western Europe and partly by a strong expansion in internal demand in some countries. (Page 123)

Responding to high external demand for agricultural and industrial products, combined exports of the five South European countries rose by 18 per cent to $3,080 million in 1964. This growth compares to rates of 7 and 12 per cent registered during the two preceding years, and was in fact the highest reached during the past decade, only matched by a similar increase in 1960. (Page 123)

Growth in combined imports of the five countries, on the other hand, slowed down considerably; compared to an increase of 18 per cent registered in 1963, purchases abroad rose by 12 per cent to $5,760 million the following year. (Page 124)

In general, the development in 1964 brought the continuation of the rapid expansion of Southern Europe's foreign trade, a trend discernible during the last few years. Since 1958/59, all of the South European countries either introduced stabilization measures or revised development plans, or drafted and implemented new ones. The new policies were aimed at the reorganization of the economies, in particular at the rationalization and diversification of agricultural and industrial production. They were, moreover, characterized by greater exposure of the economies to internal and external competition, as witnessed by the association of Greece and Turkey to the EEC, the participation of Portugal in EFTA, and the accession of Spain, Portugal and Yugoslavia to GATT and IMF. These developments, together with faster economic expansion and rising living standards, and consequently higher demand for raw materials and finished goods, led to a remarkable acceleration in import growth since 1959. In turn, the fairly continuous expansion of world demand during recent years, together with greater emphasis given in Southern Europe to export promotion and improving the external competitiveness of agricultural and industrial commodities - not the least dictated by the need to obtain sufficient foreign exchange for import financing - led to a generally favourable development of exports over the same period. (Page 124)

1 Greece, Spain, Turkey, Yugoslavia and Portugal which, though being an EFTA member, is covered in this analysis.
Japan's economy continued to expand at a high rate in 1964, in spite of some strains which have recently developed. To an increasing extent, labour shortages exert pressure on costs and prices, and wage increases start to outstrip gains in productivity. Higher incomes, in turn, have led to a marked acceleration in the growth of private consumption, which begins to exercise strong influence on import development.

Due to Japan's dependence on imported raw materials and semi-manufactures, periods of high growth usually tend to threaten the country's external payments position. When the rapid advance of the economy in 1963 was again accompanied by a high deficit in the balance on current transactions, the Government was obliged to re-introduce retrenchment policies. (Page 137)

Exports (f.o.b.) rose more than twice as fast as during the previous year, i.e., by 22.5 per cent to $6,680 million, the largest annual increase registered since 1955-56 when exports expanded by about the same rate. (Page 137)

To some extent, the sharp export expansion is attributable to the fact that, in spite of domestic price increases, Japan continued to enjoy a strong competitive position on the world market; it seems also that export efforts were markedly intensified during the second half of the year when domestic demand began to slacken. The principal cause, however, was the favourable development of world demand, primarily for base metals and machinery and transport equipment. (Page 138)

Imports (c.i.f.) of Japan rose by 18 per cent to $7,940 million, or nearly as fast as the year before when the increase had been one fifth. For a period of economic re-adjustment, this was an unusually high growth; during previous years when retrenchment policies had been applied, imports had declined, as for instance by 29 per cent in 1958, and by 3 per cent in 1962. (Pages 138-139)

Partly, the development of imports in 1964 reflects the higher degree of liberalization of Japan's foreign trade, both as regards import restrictions and control of foreign exchange transactions for balance-of-payments purposes. But to some extent, the high import growth was a consequence of the sharp expansion in exports, in turn the principal stimulating force of industrial production. (Page 139)

Non-Industrial Areas

Although the growth in the export earnings (expressed in terms of current values) of the developing areas as a group between 1963 and 1964 was not significantly different from that which occurred between 1962 and 1963 (by 8.2 per cent as compared with 8.6 per cent), a closer examination of the trading results of

MORE
1964 reveals a striking disparity between the rate of export expansion of the "oil producers", on the one hand, and that of the rest of the developing world on the other. The acceleration in 1963 resulted from a widespread and general rise in export incomes (out of a hundred or so developing countries and territories perhaps the only exceptions were Colombia, Ceylon, Ghana, Madagascar, Iran, Netherlands Antilles and Brunei); but in 1964 a significant proportion of the additional export incomes was accounted for by the "oil producers". Between 1962 and 1963, the export income of oil exporting countries rose from about $8,500 million to $8,800 million (or $300 million), and the expansion in the rest of the developing world was far more pronounced - an advance from $20,430 million to $22,620 million (or by $2,190 million). By contrast, between 1963 and 1964, the export gains accruing to the oil producers alone amounted to $1,200 million - major beneficiaries being Libya ($372 million), Iran ($321 million), Kuwait ($108 million), Saudi Arabia ($150 million), Venezuela ($108 million) and Iraq ($55 million) - whereas the aggregate export income of the rest of the developing world rose by $1,380 million. Excluding oil exporting countries, the development of total export proceeds of the developing countries was thus much less favourable in 1964 than in 1963 - a reduction in the rate of growth from 11 to 6 per cent. An analysis of trade fortunes of different groups of developing countries in 1964, if distinguished on the basis of their relative reliance on different categories of primary exports, would also yield other contrasts such as, for instance, between the more favourable development of export income of those countries which rely heavily on coffee exports as compared with the less favourable development of countries specializing in exports of cotton. However, since the weight of the oil countries in the total export earnings of the developing areas as a whole is comparatively high (accounting for about one third of total exports and representing one of the most dynamic segments of the export trade of the developing countries during the past decade), the large difference in the rate of growth in 1964 in the export proceeds of the oil countries, on the one hand, and the remaining parts of the developing areas, on the other, deserves particular mention. (Pages 140-141)

The aggregate volume of developing countries' exports, after having increased by 5½ per cent from 1962 to 1963, rose by 6 per cent between 1963 and 1964 and the average unit values of these exports recorded an advance of about 2 per cent in each year during this period. The recovery in the average unit values of exports which came about in the quarter of 1963 was the first major upturn in the export price level since 1951. It may be recalled that between 1954 and 1962 the average unit value of exports of the developing countries fell by about 11 per cent, whereas the aggregate volume of these exports rose by 50 per cent. The strengthening of prices, together with the uninterrupted growth in exports volumes, materially increased export earnings of the developing countries in 1963.

---

1 Persian Gulf States, Brunei, Iran, Iraq, Kuwait, Libya, Muscat-Oman, the Netherlands Antilles, Qatar, Sarawak, Saudi Arabia, Trinidad, Tobago, Trucial Oman and Venezuela.
and 1964, but should the flattening out of the price level, which was evident in the last quarter of 1964 and the first quarter of 1965 persist, then it is clear that any further rise in export earnings of the developing countries would have to be based mainly on an expanded volume.

After having slackened during 1961-62, the value of imports (f.o.b.) into developing areas as a group rose in 1963, 5.7 per cent above the 1962 level. During 1964, the average annual rate of expansion further accelerated to 8.8 per cent and total import expenditures, at $34,220 million reached an unprecedented level. In 1963, the value of exports of the developing countries rose faster than the value of their imports, while the reverse was the case in 1964. (Page 141)

As a consequence of the faster increase in export proceeds as compared with imports, the trade balance of the developing countries in 1963 improved considerably, but with the growth in exports lagging in 1964 somewhat behind the rise in total import expenditures, the trade deficit mounted again. In 1962, the developing countries as a group had a trade deficit of $820 million which was reduced significantly in 1963 to $50 million, but in 1964 this trade gap widened to $220 million. However, if the considerable, though largely apparent, trade surplus of the oil exporting countries is excluded, the change in the trade gap of the developing countries appears to have been a shrinkage from $5,420 million in 1962 to $4,130 million in 1963, followed by a mounting deficit of $4,770 million in 1964 - an adverse swing of the order of $740 million during the period. (Page 141)

Latin America

The total export earnings (in current values) of Latin American republics in 1964 was 9 per cent above the 1963 figure. By contrast the total value of world exports rose by nearly 12 per cent from 1963 to 1964. The slow growth in Latin American exports from 1963 to 1964 is partly attributable to the failure of the volume of major agricultural exports to rise during a period when the unit value of exports - at any rate until the first half of 1964 - was following an upward trend generally. Efforts to achieve a significant expansion in foreign exchange earnings from "traditional" primary exports in the light of favourable price developments in 1964 was thwarted by the general failure of supplies available for export to grow. (Page 143)

To sum up, the overall growth in export proceeds from 1963 to 1964 was mainly a consequence of the increase in the unit value of exports, although this increase did not have the favourable effect it might have had on the total value of Latin American exports in 1964 because of the adverse volume movements affecting some of the major export commodities of the area. (Page 143)

Most of the Latin American countries contributed to the expansion of export earnings from 1963 to 1964, although a considerable part of the increase of $880 million (from $9,740 million to $10,620 million) was accounted for by six
countries — Peru, Chile, Colombia, Mexico, Cuba and Venezuela. As for the rest, changes in the export incomes of two of the countries which account for a significant portion of Latin American exports — namely, Brazil and Argentina (taken together they represent close to one quarter of the area's total export income) — were only marginal. There was, on the other hand, a significant improvement in the export trade of the smaller republics but this was hardly big enough in quantified terms to affect the aggregate total for the region taken as a group. To cite some examples: Bolivia's export earnings rose from $66 million in 1963 to $86 million in 1964 and those from Paraguay expanded from $40 million to $50 million. (Page 144)

The total import expenditures (f.o.b.) of the Latin American countries, taken as a whole, after contracting from 1962 to 1963 rose by $1,050 million, or about 13 per cent, in 1964; at $9,050 million they were higher in value than in any previous year, even surpassing the previous peak of 1957 by 4 per cent. Most of the increase in the area's total import expenditures reflected the rise in the volume of purchases from abroad, since import unit values recorded only a fractional increase. The overall expansion in the area's import outlays from 1963 to 1964 was accounted for mainly by Mexico, Argentina, Venezuela, Colombia and Cuba. Brazil's imports (c.i.f.) were cut by $224 million and those into Chile were also reduced. There was some rise in imports of Ecuador, the Dominican Republic, El Salvador, Guatemala, Nicaragua, Peru and Uruguay, while imports into Haiti, Paraguay and Panama were maintained at a level close to that of 1963. (Page 144)

Between 1963 and 1964, when the value of Latin American exports rose by about $690 million the countries of Western Europe absorbed nearly $230 million of this increase, i.e. about 33 per cent. Exports to Japan increased by $105 million and those to the United States increased by $40 million. The relative importance of Western Europe as a purchaser of Latin America's exports was maintained (at about 34 per cent), whereas that of the United States declined (from 37 to 36 per cent). During this period, there was a notable increase of $80 million in exports to mainland China on account of substantial grain shipments from Argentina to that destination. (Page 145)

Inter-Latin American trade transactions showed a marked overall increase during 1964 and accounted for 9.4 per cent of total export proceeds of the area in 1964 as compared with 7.7 per cent in 1963. The value of inter-area trade during 1964 at $980 million was about 30 per cent higher than the level reached during 1963. (Page 146)

South-East Asia

According to preliminary estimates, the value of exports from South-East Asia rose by 3.5 per cent from 1963 to 1964, to a total of about $8,800 million. This rate of expansion was considerably below that registered between 1962 and 1963, when an increase of about 10 per cent was recorded. In almost all the South-East Asian countries 1964 was a period of rising exports, with the exception of Burma, Singapore (Malaysia), Cambodia and Viet-Nam. (Page 154)
Imports (c.i.f.) into South-East Asia increased by little less than 4 per cent between 1963 and 1964; in absolute values the rise was from about $11,220 million to $11,660 million. With the exception of Singapore (Malaysia), Cambodia, Korea and India (where only a fractional decline took place), nearly all the South-East Asian countries increased their import outlays in 1964 as compared with the previous year. (Page 157)

The broad pattern of the geographical distribution of this region's export trade did not undergo any major change during 1964. The industrial destinations continued to account for about 60 per cent of the total export earnings of South-East Asia. The increase in this area's export proceeds from about $8,500 million in 1963 to about $8,600 million during 1964 or, by $300 million, resulted largely from the growth in total exports to the United States (by $150 million, or about 12 per cent), Japan (by $70 million, or 7 per cent), and to those Western European countries not belonging to the EFTA or the EEC (by $70 million, or about 45 per cent). (Page 159)

Africa

The African countries (excepting South Africa) registered a considerable increase in export earnings during 1964 - by about 14 per cent. As a matter of fact, this rate of export expansion was one of the highest registered by any major trading area between 1963 and 1964 (Japan and Canada being the major exceptions having recorded export gains of about one fifth) and even exceeded the rate of advance in the total value of world trade (which was about 11 per cent during this period).

A conspicuous feature of the evolution of African external trade since 1958 has been the uninterrupted growth in the total volume of exports; this continued still more strongly in 1964 than in 1963 with total quantum of exports increasing by about 10 per cent between 1963 and 1964, compared with about 8 per cent in the previous period. Because of the persistent weakness of commodity prices from 1958 until the last quarter of 1962, the impressive increases in export quantum failed to bring about a corresponding growth in export incomes. However, the subsequent upturn in a number of commodity prices of significance to Africa reflected itself in improved export incomes which still continued to be based mainly on expanded volume. The estimated rise in unit value of aggregate African exports of about 3-4 per cent a year between 1962 and 1964 may be compared with an annual 8-10 per cent advance in total volume.

A higher level of petroleum exports - primarily from Libya, but also from Nigeria and Algeria - accounted for about one half of the total increase of approximately $900 million in aggregate export proceeds of the African countries between 1963 and 1964. With the exception of the Sudan and Mauritius, virtually all the African countries attained a higher level of export earnings in 1964 than in 1963. (Page 160)

END