The draft of the section of Part I which deals with "Trade of Non-Industrial Areas" is attached hereto. Any contracting party wishing to make suggestions is requested to do so not later than 2 May.

The draft of a few paragraphs dealing with the trade of the Middle East, the USSR, Eastern Europe, mainland China, and some other Far Eastern countries, as well as the section relating to "Trade of Industrial Areas" will be distributed at the end of next week.
TRADE OF NON-INDUSTRIAL AREAS

The low level of the export surplus

The trade of the non-industrial areas in 1955 again failed to expand at the same rate as the total value of international trade. While the exports of the industrial areas rose by about 12½ per cent as between 1954 and 1955, the rate of growth in exports experienced by the non-industrial areas was substantially lower - about 7½ per cent. As a result, their share in the value of world exports decreased from 37 to 36 per cent.

In respect of imports, the development has been similar. Their total value rose by 12.7 per cent between 1954 and 1955 in the industrial areas, but much less - by 7.3 per cent - in the non-industrial areas. Here again, the share of the non-industrial regions in the world total has declined.

But while the recent growth of exports from the non-industrial areas represented an acceleration of the movement which had occurred between 1953 and 1954 - the speed of the increase between 1954 and 1955 has been twice as high - imports have risen at about the same annual rate since 1953. As a result, the non-industrial areas taken together have recorded an increase in their export surplus from $440 million in 1954 to $590 million in 1955. In spite of this rise, however, the export surplus was only one-third of what it had been in both 1951 and 1953 and represented less than 2 per cent of the total value of exports, thus allowing only very little leeway for any further expansion of imports, in the absence of higher export earnings.
The impact of economic development on trade in selected commodities

The reduction in the export surplus of the non-industrial areas which has occurred during the last three years, while price movements were on the whole contained within narrow limits, reflects the powerful pressure for higher imports which accompanies the economic development of these areas. While a substantially higher level of imports than in 1938 has been made possible in postwar years by higher export proceeds due mainly to higher export prices\(^1\), the development in the last three years has been less favourable.

In fact, the increase in the value of exports between 1953 and 1955 (first half at an annual rate) which was 7 per cent is almost entirely due to a larger quantum (which rose by 6 per cent). Since the outlook for substantial improvements in the terms of trade of the primary producing regions is uncertain, in view of the technological and economic developments in the industrial areas which have been discussed above (p....), the future course of the quantum of exports from the non-industrial areas assumes crucial significance.

The participation of the non-industrial areas in world trade depends not only on their ability to produce primary commodities efficiently in sufficient quantities to meet both the external and the domestic demand which is growing as a result of changing structure of the non-industrial economies.

| Volume of Production in Industrial and Non-Industrial Areas, 1948 - 50 and 1952 - 54 |
|---------------------------------|--------|--------|--------|--------|
| (1938 = 100)                    |        |        |        |        |
| Food production                 |        |        |        |        |
| Industrial areas                | 116    | 127    | 134    | 133    |
| Non-industrial areas             | 106    | 114    | 115    | 114    |
| World                           | 111    | 121    | 125    | 124    |
| Agricultural raw materials      |        |        |        |        |
| Industrial areas                | 123    | 137    | 139    | 139\(^9\) |
| Non-industrial areas             | 111    | 125    | 123    | 129    |
| World                           | 116    | 130    | 130    | 133    |
| Mining                          |        |        |        |        |
| Industrial areas                | 133    | 150    | 152    | 150    |
| Non-industrial areas             | 161    | 205    | 213    | 225    |
| World                           | 139    | 162    | 164    | 166    |
| Manufacturing                   |        |        |        |        |
| Industrial areas                | 156    | 187    | 203    | 202    |
| of which Western Europe         | 105    | 132    | 140    | 154    |
| Non-industrial areas             | 160    | 192    | 197    | 211    |
| World                           | 156    | 187    | 202    | 203    |

Note: For sources and methods of estimate, see Appendix.

\(^1\) The volume of exports from non-industrial areas rose much less than the volume of world trade as a whole between 1938 and 1954, showing gains of 25 and 52 per cent, respectively. Yet because of the relative price movements the share in the value of world exports rose from 33.8 to 37.2 per cent during this period.
Although the nature of the structural changes which have occurred in the non-industrial areas has of course varied greatly from country to country, the changes in the volume of output in the non-industrial areas in the main sectors of economic activity considered as a whole may well serve as a broad indication of these developments.

Since 1938, manufacturing activity has risen in roughly the same proportions in the non-industrial and the industrial areas, although the output of the former represents only about 8 per cent of the world total. It should, however, be noted that the growth of industrial output has been considerably greater in the non-industrial world as a whole than in Western Europe. The increase in mining production has also been more rapid in the non-industrial than in the industrial world—mainly on account of petroleum, although here again, the industrial areas still account for the major portion of world output (72 per cent in 1954).

On the other hand, the non-industrial parts of the world have experienced a relatively smaller increase of agricultural output. By 1954, their food production was only 14 per cent larger than prewar, whereas in the industrial areas it had risen by 33 per cent. Though the discrepancy is less marked, the production of agricultural raw materials in non-industrial areas has also lagged behind the rise shown by the industrial regions.

Thus, it is mainly in respect of agricultural production that the non-industrial parts of the world have failed to keep pace with the growth of world output. And it is the shift in the relative importance between agricultural and industrial activities which has affected their share in world trade.

Although it is difficult to investigate fully the influence of these structural changes on the pattern of the foreign trade of the non-industrial countries, mainly owing to lack of sufficient data, an attempt has nevertheless been made to study the trends in production and trade in the case of certain specific export and import products where consumption has risen significantly under the pressure of demographic growth or to meet the needs of economic development.

The choice of these commodities has been influenced by the relationship of their production and consumption with the pattern of industrial development. Apart from the processing of foodstuffs and raw materials, manufacturing activity in the non-industrial areas is mainly concentrated in the fields of textiles and other consumer goods such as cigarettes, shoes, soap, paper, pharmaceuticals, basic chemicals, fertilizers, rubber products, cement and iron and steel products. The present analysis offers a comparison of the trends since prewar in the production, apparent consumption and trade in certain industrial products, i.e., cotton textiles, cement, fertilizers, steel; it also covers raw cotton as a major industrial material, fuels and wheat and rice, the two main staple food items. The
geographical scope of the analysis covers Latin America and the independent overseas sterling area — which together account for four-fifths of total manufacturing and two-thirds of agricultural production in non-industrial areas (excluding the USSR, Eastern Europe and mainland China) and account for about half the population of the areas.

The relatively slow growth of cereal production in non-industrial areas has reflected itself in their reduced export availabilities as regards both wheat and rice. As seen from Table G, the increase in consumption of these cereals has since prewar in both areas far exceeded the rise in production. Although the wheat figures are strongly affected by the presence in each area of a major exporter (Argentina and Australia) and by wide fluctuations in the imports of India, it is evident that the prewar net export position of both areas has been essentially modified. Substantial net exports from Latin America have been replaced by net imports in 1954, while the export surplus of the sterling countries has been considerably reduced. The net exports of rice from the latter group of countries to the rest of the world have also suffered a marked decline.

As regards raw cotton, the consumption of which rose substantially in both areas (roughly by 85 per cent in Latin America and by 50 per cent in the sterling countries between 1938 and 1954), production doubled in Latin America but fell by nearly 15 per cent in the independent overseas sterling area. The quantum of net cotton exports from the former more than doubled, while in the latter it fell because of an increase in consumption and a decline in production, and in 1954 stood at barely one-tenth of the prewar level.

The rise in raw cotton consumption is of course due to the growth of textile manufacturing which has deeply affected the imports of cotton textiles. In 1954, the quantum of such imports into Latin America was only about half as large as before the war. This decline in imports was entirely accounted for by the fact that the five most important producers (Brazil, Argentina, Mexico, Colombia and Chile) have attained self-sufficiency. Imports into the fifteen remaining countries of Latin America were in 1954 about the same as in 1938, in spite of the fact that their consumption rose even faster than in the five countries mentioned. In other words, production in the fifteen countries taken as a whole was able to meet the whole increase in consumption. In 1954, the overseas sterling countries

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1 Independent Overseas Sterling Area includes Australia, New Zealand, Burma, Ceylon, India, Pakistan, Iraq, Union of South Africa and Federation of Rhodesia and Nyasaland. These are also referred to as "sterling countries" in the following paragraphs.

2 In considering the very significant increase of consumption in Latin America it should be borne in mind that population rose by 43 per cent between 1938 and 1954, whereas the corresponding increase in the overseas sterling area was only 23 per cent.
TABLE 8

PRODUCTION, APPARENT CONSUMPTION AND TRADE IN CERTAIN PRODUCTS
IN LATIN AMERICA AND INDEPENDENT OVERSEAS STERLING AREA
PREWAR, 1953 AND 1954
(thousand metric tons)

<table>
<thead>
<tr>
<th>Products</th>
<th>Latin America</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Production</td>
<td>Apparent Consumption</td>
<td>Trade</td>
<td>Production</td>
<td>Apparent Consumption</td>
<td>Trade</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wheat (incl. flour)</td>
<td>1934-38 Av.</td>
<td>8,620</td>
<td>6,845</td>
<td>+ 1,775</td>
<td>15,089</td>
<td>13,066</td>
<td>+ 2,023</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1953</td>
<td>9,020</td>
<td>10,590</td>
<td>- 770</td>
<td>16,041</td>
<td>18,064</td>
<td>- 1,223</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1954</td>
<td>11,710</td>
<td>11,090</td>
<td>- 252</td>
<td>17,079</td>
<td>17,079</td>
<td>- 1,001</td>
<td></td>
</tr>
<tr>
<td>Rice (incl. milled)</td>
<td>1934-38 Av.</td>
<td>1,332</td>
<td>1,379</td>
<td>+ 40</td>
<td>3,310</td>
<td>3,189</td>
<td>+ 1,081</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(equivalent)</td>
<td>1953</td>
<td>3,575</td>
<td>3,770</td>
<td>193</td>
<td>40,084</td>
<td>39,604</td>
<td>+ 480</td>
</tr>
<tr>
<td></td>
<td>1954</td>
<td>3,835</td>
<td>4,030</td>
<td>269</td>
<td>36,716</td>
<td>36,131</td>
<td>+ 585</td>
<td></td>
</tr>
<tr>
<td>Cotton</td>
<td>1934-38 Av.</td>
<td>592</td>
<td>262</td>
<td>+ 330</td>
<td>1,181</td>
<td>1,645</td>
<td>+ 535</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1953</td>
<td>961</td>
<td>453</td>
<td>+ 508</td>
<td>991</td>
<td>760</td>
<td>+ 231</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1954</td>
<td>1,172</td>
<td>491</td>
<td>+ 661</td>
<td>1,015</td>
<td>963</td>
<td>+ 52</td>
<td></td>
</tr>
<tr>
<td>Cotton (equivalent)</td>
<td>1938</td>
<td>253</td>
<td>395</td>
<td>- 42</td>
<td>632</td>
<td>780</td>
<td>- 148</td>
<td></td>
</tr>
<tr>
<td>Textiles</td>
<td>1938</td>
<td>417</td>
<td>459</td>
<td>12</td>
<td>920</td>
<td>943</td>
<td>- 23</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1953</td>
<td>460</td>
<td>531</td>
<td>- 71</td>
<td>998</td>
<td>1,022</td>
<td>- 24</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1954</td>
<td>330</td>
<td>153</td>
<td>+ 180</td>
<td>431</td>
<td>449</td>
<td>- 18</td>
<td></td>
</tr>
<tr>
<td>Fertilizers</td>
<td>1938</td>
<td>397</td>
<td>444</td>
<td>- 47</td>
<td>755</td>
<td>933</td>
<td>- 177</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1953</td>
<td>401</td>
<td>458</td>
<td>- 77</td>
<td>855</td>
<td>1,056</td>
<td>- 203</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1954</td>
<td>312</td>
<td>3,725</td>
<td>- 592</td>
<td>3,400</td>
<td>3,975</td>
<td>- 485</td>
<td></td>
</tr>
<tr>
<td>Cement</td>
<td>1938</td>
<td>9,556</td>
<td>10,023</td>
<td>- 1,477</td>
<td>8,776</td>
<td>9,086</td>
<td>- 310</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1953</td>
<td>10,567</td>
<td>11,431</td>
<td>- 864</td>
<td>9,506</td>
<td>10,076</td>
<td>- 170</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1954</td>
<td>270</td>
<td>1,859</td>
<td>- 1,900</td>
<td>5,232</td>
<td>3,876</td>
<td>+ 1,356</td>
<td></td>
</tr>
<tr>
<td>Crude Steel</td>
<td>1938</td>
<td>1,977</td>
<td>4,469</td>
<td>- 2,492</td>
<td>4,972</td>
<td>5,416</td>
<td>- 444</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1953</td>
<td>2,016</td>
<td>5,013</td>
<td>- 3,000</td>
<td>5,401</td>
<td>7,544</td>
<td>- 2,143</td>
<td></td>
</tr>
<tr>
<td>Fuel Oils</td>
<td>1937</td>
<td>1,440</td>
<td>10,124</td>
<td>- 5,604</td>
<td>56,700</td>
<td>55,786</td>
<td>+ 984</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(equivalent)</td>
<td>1953</td>
<td>7,359</td>
<td>9,251</td>
<td>1,092</td>
<td>98,408</td>
<td>92,344</td>
<td>+ 2,064</td>
</tr>
<tr>
<td></td>
<td>1954</td>
<td>7,375</td>
<td>9,284</td>
<td>1,099</td>
<td>98,441</td>
<td>96,285</td>
<td>+ 2,156</td>
<td></td>
</tr>
<tr>
<td>Liquid Fats</td>
<td>1937</td>
<td>55,382</td>
<td>14,602</td>
<td>+ 40,700</td>
<td>7,346</td>
<td>8,703</td>
<td>+ 1,447</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(equivalent)</td>
<td>1953</td>
<td>132,118</td>
<td>46,906</td>
<td>+ 102,212</td>
<td>36,706</td>
<td>22,302</td>
<td>+ 14,404</td>
</tr>
<tr>
<td></td>
<td>1954</td>
<td>183,909</td>
<td>55,006</td>
<td>+ 108,103</td>
<td>46,100</td>
<td>23,261</td>
<td>+ 16,839</td>
<td></td>
</tr>
</tbody>
</table>

Independent Overseas Sterling Area includes Australia, Burma, Ceylon, India, Pakistan, New Zealand, Iraq, Union of South Africa and Federation of Rhodesia and Nyasaland.

Note: For sources, see Appendix.
as a group had a small import surplus in cotton textiles as compared with net imports six times as large in 1938. This decline in the area's net imports is mainly due to the fact that India in 1954 was exporting twice as much as what was imported by pre-partitioned India before the war. In the rest of the area, imports rose by one-third between 1938 and 1954, although production developed at a spectacular rate, especially in Pakistan. However, in spite of the increase, domestic output in 1954 accounted for only one-half of consumption in countries other than India. Although India's exports (114,000 tons) nearly reached the volume of imports of the other countries (138,000 tons) in 1954, only 17 per cent of these imports (23,000 tons) came from India. Hence, the independent sterling countries as a whole still represent a major market for outside suppliers of cotton textiles, in spite of the development in India's export trade.

It remains nevertheless true that cotton textiles represent a clear instance of a large sector of international trade where the rise of domestic production in non-industrial areas has led to a significant reduction in absolute terms in imports.

Before the war, the consumption of fertilizers was, in both Latin America and the independent overseas sterling area, localized in the countries where production was significant. Australia and New Zealand were both the largest producers and consumers while Chile's production was mainly for export. The increased application of fertilizers in the two non-industrial areas considered is a postwar phenomenon—closely linked to efforts at raising agricultural productivity. Between 1938 and 1954 consumption of fertilizers in Latin America has grown about threefold, while production has merely risen by one-fifth and the substantial pre-war net exports have now been replaced by some imports. While consumption of fertilizers in overseas sterling areas stood at a level which was two and one-half times above pre-war, the production has nearly doubled and net imports have risen about tenfold during the period. Thus, in both areas, imports have grown because domestic production fell short of the rise in consumption.

Through their more direct connexion with investment activities, the consumption of cement and steel is particularly affected by the tempo of industrial development. In respect of cement, the consumption has roughly trebled in both Latin America and the independent overseas sterling area. Both before the war and in 1954, the two areas consumed nearly the same quantity and produced most of it themselves. While in 1938 imports were about 15 per cent of total requirements, this proportion had by 1954 declined to 7 per cent in Latin America and a mere 2 per cent in the sterling countries.

The consumption of steel (calculating the imports of finished steel in terms of crude steel) has risen threefold between 1938 and 1954 in Latin America (at the same rate as cement) while in the sterling countries it had roughly doubled. Before the war, the annual production in the independent sterling area (Australia, India and the Union of South Africa)
At 2.5 million tons was about ten times as large as in Latin America (Mexico, Brazil, Chile and Argentina). By 1954, the output of crude steel had made spectacular progress in Latin America (rising from 0.3 to 2.0 million tons), while in the sterling area it more than doubled (rising from 2.5 to 5.5 million tons). In spite of the high rate of increase in the production of steel in the Latin American countries, the proportion of imports in their total supply fell only from 85 per cent in 1938 to 66 per cent in 1954, and the absolute volume of these imports rose from 1.6 to 3.9 million tons. In the sterling countries, where imports, at 1.3 million tons, accounted in 1938 for 35 per cent of consumption, they stood at 2.1 million tons by 1954, while their share in the total supply had fallen to 28 per cent.

Notwithstanding the vigorous attempts at expanding steel production, it seems probable that in view of the key position of steel in economic development, requirements will continue to outrun domestic output in the next several years; thus offering another example where growth in domestic production is not necessarily and only indirectly at the expense of imports.

One of the main effects of rapid economic development is the rise in energy consumption. Although hydro-electric power makes a significant contribution to the available supply both in the sterling countries and particularly in Latin America, the following observations relate only to fuels, both solid and liquid.\(^1\) The total fuel consumption (measured in coal equivalent) in Latin America had risen by 1954 about twice as fast since prewar as in the sterling countries - showing increases by 163 and 85 per cent, respectively. However, the share of liquid as compared with solid fuels is quite different in the two areas. While in the overseas sterling area liquid fuels accounted for only 14 and 19 per cent of total fuel consumption in 1937 and 1954, respectively, the corresponding shares in Latin America were 59 and 86 per cent.

In the sterling area, the increase in consumption of solid fuels has been more than matched by larger output, even after allowing net exports of more than 2 million tons. In Latin America, substantial prewar imports of about 6 million tons were reduced to 2 million tons by 1954, both on account of larger production and smaller consumption.

The net exports of liquid fuels from both these regions are very much larger than before the war (the sterling countries as a group even had an import surplus in 1937). However, this development is due to the presence in each area of one major exporter (Venezuela and Iraq), the bulk of whose

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\(^1\) The omission of hydro-electricity is perhaps less serious than might be thought, since the consumption of energy derived from all sources has risen between 1951 and 1953 in proportions very similar to the increase in fuel consumption alone, in Latin America as well as in the independent overseas sterling area.
supplies go to destinations outside their respective regions. If these two countries are excluded, the imports of liquid fuels into the independent overseas sterling area have expanded threefold between 1938 and 1954, from 7 to over 21 million tons (coal equivalent), while Latin America's prewar net exports of about 2 million tons changed to an import surplus of 21 million tons in 1954.

It thus appears that, given the basic importance of adequate fuel supplies for economic development, and the tendency for consumption, especially of certain kinds of liquid fuels, to rise faster after a certain level of income has been attained, the import demand of those countries which must rely on foreign supplies will add substantially to the claims on the world's fuel resources. In so far as this demand can only be met at rising prices, the resulting financial burden may well put a limit on imports of other goods essential for development.

However incomplete, the foregoing examination of the effects of economic development on trade in certain selected cases clearly brings out that the tendencies which are at work differ as between food, manufactured consumer goods and commodities more directly related to investment and development.

As regards food, it appears that the non-industrial areas are, as a result of demographic pressure, and of rising incomes but also because of the slow growth in output, losing their position as major exporters, and are even tending to become net importers. This tendency for non-industrial countries to become dependent on food imports from industrial areas has an adverse effect on their ability to import commodities upon which their economic growth more essentially depends. This seems to apply particularly to Latin America.

If textile goods can be taken as representative of non-durable consumer goods, the traditional dependence on supplies from industrial countries is diminishing rapidly and their imports have tended toward the minimum necessary to avoid excessive inflationary pressures.

On the other hand, the imports of goods basic to economic development (including fuels) have risen not only because domestic production, if any, cannot keep pace with the growing demand for them that accompanies high rates of investment, but also because of the priority given as a matter of general policy to such imports by all non-industrial countries.

While the impact of economic development upon the commodity composition of imports is clear enough, the volume of imports as a whole depends essentially on the level of export earnings. In view of the fact that the future course of these earnings rests upon the ability to produce efficiently and to export in sufficient quantity, the importance of maintaining a proper balance between the production for export and for domestic use cannot be over-emphasized.
THE DOLLAR AREA OF LATIN AMERICA

The trade position of the area

During 1955, the export earnings of the dollar countries of Latin America as a group ($4,350 million) were higher than in 1954 by $200 million, or about 5 per cent, while the value of imports (f.o.b.) was maintained at $3,600 million. Thus, the whole increase in the value of exports added to the area's export surplus vis-à-vis the rest of the world which rose from $550 million in 1954 to $750 million in 1955.

The improvement in the trade position of the area was mainly due to a marked rise in the export proceeds of Venezuela (from $1,690 million to $1,845 million), Mexico ($563 million to $656 million), Cuba ($540 million to $580 million) and Nicaragua ($55 million to $77 million); together the export earnings of these countries were $310 million higher in 1955 than in 1954. The export earnings of Ecuador ($115 million), Guatemala ($110 million), Bolivia ($72 million) and Panama ($32 million) in 1955 were close to the level of the preceding year. The rest of the area suffered some reduction (by about $120 million) in the value of exports. The decline was largest for Colombia - from $657 million in 1954 to $584 million in 1955 - followed by Haiti ($55 million to $35 million), the Dominican Republic ($120 million to $108 million), El Salvador ($105 million to $99 million), Costa Rica ($81 million to $75 million) and Honduras ($60 million to $57 million).

In contrast with the marked divergencies in the trend of export earnings as between the individual countries, the changes in the import values (c.i.f.) were more uniform during this period. The only substantial declines occurred in Venezuela (from $1,002 million to $936 million) and Ecuador ($123 million to $106 million). There were only minor changes in the imports of Colombia, Cuba, Nicaragua, El Salvador, Costa Rica, Honduras and Mexico. Significant increases in imports occurred in Bolivia ($75 million to $93 million), the Dominican Republic ($93 million to $110 million) and Guatemala ($86 million to $101 million).

With the exception of Cuba, Ecuador, Mexico and Venezuela, all the countries of the region suffered a deterioration in their trade balances from 1954 to 1955. It is noteworthy that, in 1955, Venezuela's trade surplus amounting to $1,000 million (calculated from f.o.b. import values) again exceeded the export surplus of the whole region by $250 million.

Commodity composition of exports

The increase in export earnings during 1955 was due to petroleum which yielded about $160 million more than in 1954, followed by ores and metals which increased by about $60 million, sugar (by $50 million), cotton (by $45 million) and bananas (by $10 million). Altogether these increases, amounting to $325 million, far outweighed the loss suffered by the group in the earnings from coffee ($110 million) and cocoa ($30 million).
The rise in the value of petroleum exports was not only due to increased volume but also to a larger share of refined products in shipments from Venezuela, while the decrease in petroleum exports from Colombia was almost offset by an increase in respect of supplies from Mexico. The increase in the proceeds from sugar and cotton was due to a spectacular expansion in export volume in spite of lower prices for both these commodities and contributed significantly to the improvement in the export earnings of Cuba and Mexico during 1955. The higher export proceeds from metals resulted largely from the rise in prices. There was moreover an increase in the volume of ores and metals exported from Mexico and Venezuela. The rise in the value of banana exports was on account of an increased volume of supplies from Ecuador and Panama, while those from Guatemala and Honduras declined owing to a poor crop.

The prices of both coffee and cocoa were much lower in 1955 than in 1954. Although the total volume of coffee exports was slightly larger, the proceeds from coffee shipments declined by 11 per cent during the period. Most of the coffee exporting countries of the area suffered losses in their export earnings, notably Colombia and Haiti. In Colombia where about one-half of the area's coffee exports originates, this commodity accounted for nearly the entire fall in the total value of exports. The sharp decline in cocoa prices had an adverse effect on the export proceeds of the Dominican Republic and Ecuador.

As a result of changes in both the price and the volume of the main commodities, the composition of the area's exports underwent some modification. To mention only the principal products, petroleum rose in relative importance from 40 per cent in 1954 to 42 per cent in 1955, while coffee's share declined from 24 per cent to 20 per cent. The shares of sugar and banana exports were maintained at 12 per cent and 4 per cent, respectively.

**Direction of exports**

While industrial destinations continued to account for about 75 per cent of this region's total exports, the area's dependence on the North American market, though still overwhelming, was somewhat reduced. Exports to North America fell in relative importance from 60 per cent in 1954 to 58 per cent in 1955, while the share of Continental Western Europe rose from 10 to 12 per cent, mainly on account of an increase in the value of shipments from Venezuela, Cuba and Mexico. Mexico and Venezuela exported more to the United States as well as to Canada, but there was a decline in exports from the area as a whole to the United States. Exports to the United Kingdom and Japan increased only slightly. Cuba's exports to the United Kingdom suffered a marked decline, while those of Venezuela rose substantially.

The high share of exports to non-industrial destinations is largely (to the extent of about two-thirds) due to crude oil shipments from Venezuela to refineries in the Netherlands Antilles. Exports to all of Latin America (including non-dollar countries) continued to account for about 5 per cent of
total export earnings. Exports to the USSR and Eastern Europe which hitherto had been almost negligible amounted to about $75 million, mainly on account of sugar sales from Cuba.

**Commodity composition and origin of imports**

Both in the first half of 1954 and in the first half of 1955, the industrial areas accounted for 93 per cent of the total value of imports, four-fifths of which consist of manufactured goods. Capital goods were again the largest single category – accounting for 31-32 per cent of total imports, followed by semi-manufactures (which rose from 24 to 26 per cent). The share of consumer goods declined slightly (from 17 to 16 per cent). Food imports from industrial countries also fell, from 11 to 9 per cent of the total value of imports during this period.

The changes in the relative shares of the major industrial suppliers were also small between 1954 and 1955. North America, by far the most important source of imports, lost some ground (its share fell from 71 to 69 per cent of the total value of imports) to Continental Western Europe (which rose from 15 to 17 per cent), while imports from the United Kingdom and Japan were maintained at 5 and 2 per cent, respectively. The decline in the value of consumer goods imported affected mainly North America and Japan, while the increase in the value of semi-manufactures was about equally shared between North America and Continental Western Europe. In respect of capital goods, the share of Continental Western Europe rose (from 15 to 18 per cent) while that of North America declined correspondingly (from 78 to 75 per cent).

Both the composition and the origin of imports into the region as a whole has remained remarkably constant in recent years. However, in Colombia, Venezuela, Cuba and Mexico, where the share of capital goods is relatively high, it is also rising faster than in the rest of the region. Moreover, Continental Western Europe’s importance as a supplier to these countries is growing.
NON-DOLLAR COUNTRIES OF LATIN AMERICA

The trade position of the area

In sharp contrast to other non-industrial regions, the non-dollar countries of Latin America suffered a further setback in their trade position during 1955. While the total value of imports (f.o.b.) was the same as in 1954 (³3,080 million), the export earnings declined from ³3,650 million in 1954 to ³3,400 million in 1955. There was thus a substantial reduction in the area's export surplus which declined from ³570 million to ³320 million during the period.

The value of exports of Argentina, Brazil and Uruguay fell from 1954 to 1955, whereas the exports of Chile and Peru rose and those of Paraguay were maintained. The decline in the value of imports into Brazil and Uruguay was nearly offset by the increases in imports into Argentina and Peru.

Except for improvements in Brazil and Chile, the trade balances of the countries in the area suffered a marked deterioration in 1955 as compared with 1954.

Major export commodities

During 1955, several main export commodities were influenced by special factors, which affected not only the trade position of individual countries but also the composition and the direction of their exports.

Coffee exports, which originate entirely in Brazil, continued to decline in relative importance and their share fell from 28 per cent of the total export proceeds of the whole region in 1954 to 25 per cent in 1955. In spite of an increase in volume by nearly one-third, the value fell by 11 per cent from ³950 million to ³850 million.

During 1955, the quantum of wool exports from both Argentina and Uruguay was slightly higher than in the preceding year, but there was some decline in value on account of lower prices. These also affected the value of wool tops exported from Uruguay, which rose only slightly in spite of a large increase in the volume of shipments.

Cotton exports declined sharply during 1955, Brazil's falling by nearly one-half while Peru's were about 15 per cent below 1954. The total value of cotton exports from the area fell from ³300 million in 1954 to about ³200 million in 1955. This sharp reduction is mainly attributable to marketing difficulties. Unlike other exporting countries, Brazil did not lower her export price after August 1955 when the United States announced her disposal plans for early 1956 and consequently the Brazilian exports became non-competitive.
Although the quantum of Chile's exports of copper failed to rise in the face of a sharp increase in prices, the value of her shipments was substantially higher, the more so as a larger share of these supplies was directed to Western Europe, where prices were higher than in the United States.

Since the resumption of Argentina's meat supplies to the British market, the area's export proceeds derived from beef and mutton have again been rising, in spite of the virtual cessation of exports from Uruguay. Exports of cereals from both these countries, though larger in volume, have suffered from the continued weakness in world markets.

Direction of exports

The share of industrial destinations declined from about 79 per cent in the first half of 1954 to 76 per cent in January - June 1955. This decline affected all of the industrial areas (especially North America whose relative importance fell from 34 to 31 per cent) with the exception of the United Kingdom (whose share rose slightly, from 11 to 12 per cent). In both periods, Japan and the Soviet area represented each 3 - 4 per cent, and Latin American destinations accounted for about 15 per cent.

Commodity composition and origin of imports

Although the value of imports (f.o.b.) was the same in the first half of 1955 as in the corresponding period of 1954, the share of the industrial areas in those imports declined significantly - from 69 per cent to 62 per cent. While capital goods were maintained at 27 - 28 per cent of the total value of imports, the share of semi-manufactures from these sources declined from 25 per cent to 23 per cent and that of consumer goods from 7 per cent to 6 per cent.

The decline in the share of the industrial areas was entirely accounted for by North America and Japan, whereas imports from Western Europe (the United Kingdom as well as the continental countries) had the same value in the first half of 1954 and in the first half of 1955.

The fall in imports from North America was especially significant because it affected most severely capital goods, a category of manufactures the total imports of which did not decline in value. North America's share in the supply of such goods dropped from 48 per cent in 1954 (first half) to 38 per cent in 1955. Significantly, the corresponding gain was not made by Germany (her supplies remained constant in value), but by the United Kingdom, the Netherlands, France and most of all Italy (whose exports doubled in value). In respect of chemicals, imports from North America and Germany both fell by about one-third, while the United Kingdom, France and Italy gained. As regards other semi-manufactures and consumer goods, Germany was the main loser, followed by the United Kingdom and the United States, whereas France, Belgium and Italy all advanced. Although no doubt affected by the scarcity of dollars, the countries of the area are an important proving ground for the competitiveness of exports from the various industrial countries, and the shifts in their relative position as suppliers of manufactured goods therefore deserve attention.
The trade position of individual countries

In the first three quarters of 1955, Argentina's exports ($977 million at an annual rate) were $78 million lower than in the corresponding period of 1954. Her imports, on the other hand ($1,125 million at c.i.f. values), were $251 million higher than in the preceding year. The surplus of $181 million turned into a deficit of $148 million.

The decline in the value of exports was generally due to a smaller volume and affected all the major commodities except wool and wheat (the prices of which were, however, lower) and meat (which fetched higher prices). The larger shipments of wheat were mainly accounted for by exports to Italy, the Netherlands and Brazil, and the additional meat supplies (mainly chilled beef and frozen lamb) went principally to the United Kingdom where the demand for meat as a whole after the abolition of rationing turned out to be strong - the market taking as much as in 1938, in spite of an increase in the relative expensiveness of meat. Though still far from recovering her pre-war importance in the British market for chilled beef, Argentina has in the last year greatly increased her supplies, while her shipments of frozen beef declined. In respect of frozen lamb, of which 52,000 tons were exported to the United Kingdom in 1955, Argentina now ranks second only to New Zealand (which supplied 200,000 tons), whereas before the war Australia was the second largest supplier. As a result of bad harvests, Argentina's exports of maize were in the first three quarters of 1955 only about one-fourth, those of barley and rye less than half, and those of oats only one-seventh of what they had been a year earlier. The fall in linseed oil and oil cakes was also large, while the exports of wool and quebracho extract (both of which go mostly to the United States) were approximately maintained at the same volume as in 1954. The extraordinarily low output of sunflower seeds (a main source of edible oil for the domestic market) led to the conclusion, at the end of 1955, of a contract with the United States (under the provisions for the disposal of agricultural surplus commodities) for the supply of about $25 million worth of edible oils.

Argentina offers a classic example of a country whose economic and industrial development has in recent years been hampered by insufficient export availabilities due to disproportionately low investments and low productivity in the agricultural sector. As part of the new economic policy inaugurated in the autumn of 1955, there has been a general increase in the prices paid to farmers, in consequence of which it is hoped to raise agricultural production and the exportable surplus of the major export products. It remains to be seen whether the export prices based on the higher prices offered to farmers in order to elicit larger output will be such as to permit sales in world markets.

In the absence of systematic trade statistics in Argentina, the commodity composition of imports and the direction of trade can only be obtained from the returns or Argentina's trade partners. Comparing the first half of 1955
with the first half of 1954, it appears that the share of the industrial countries of North America and Western Europe in both exports and imports has not changed. The exports to those countries consist principally of food (cereals and meat) and raw materials (linseed oil, hides and wool), while the imports from them are almost exclusively manufactured goods. Among these, capital goods are the most important, followed by consumer goods and semi-manufactures. It is noteworthy that the increased share of North America in Argentina's imports as between the first half of 1954 and the first half of 1955 was due to consumer goods and semi-manufactures. In respect of capital goods, the value of which rose as much as that of other manufactures, North America lost ground to Western Europe. Italy's supplies rose particularly and their value was four times as high as in 1954.

While liquid fuels used to come mainly from the Netherlands Antilles, large quantities are now also received from the USSR. In respect of coal (the imports of which have been falling in recent years), Poland was the largest supplier in 1955 (74 per cent of the total), whereas in 1951 the United States supplied 62 per cent and the United Kingdom 21 per cent. Trade with the Eastern European countries, which in 1955 continued its recent upward trend (reaching about 10 per cent of both imports and exports), consists of an exchange of Argentina's staple exports for a variety of semi-manufactures, in addition to fuels.

Brazil's trade returns for 1955 show an export surplus of $162 million in contrast with a trade deficit of about $72 million in 1954. While the total export earnings declined by only 7 per cent (from $1,562 million in 1954 to $1,445 million in 1955), the value of imports (c.i.f.) fell sharply during this period - from $1,634 million to $1,283 million, or by 21 per cent.

The export proceeds derived from all the three major items - coffee, cotton and cocoa - were lower in 1955 than in 1954. While the quantum of coffee exports rose by about one-third, that of cocoa was maintained and that of cotton declined by about one-half. On the other hand, prices of cotton were almost maintained, and those of both cocoa and coffee declined by little over one-third between 1954 and 1955. As a result of these divergent price and volume movements, the share of all the three commodities in the total value of exports declined during this period. Coffee fell in relative importance from 61 per cent to 59 per cent, cotton from 14 per cent to 9 per cent and cocoa from 9 per cent to 6 per cent. While there was some increase in the export proceeds from sugar, timber and iron ore, the most notable development during 1955 was a marked rise in the value of manufactured goods exported (from $8 million in 1954 to $24 million in 1955). Most of these manufactured goods originate in the Brazilian state of São Paulo and consist of chemicals, ceramic and glass products, railroad accessories and parts, electric motors, coffee processing machinery and textile products and are mainly exported to Argentina and Uruguay.
The marked fell in the total import values affected all the major categories except fuels, foodstuffs and capital goods. In 1955, fuels (mainly crude oil and petroleum products) accounted for about one-fifth of the total import values as compared with 15 per cent in 1954. This increase was mainly due to a rise in the share of crude oil (from 1 per cent of the total value of imports in 1954 to 6 per cent in 1955). The upward trend in the imports of wheat continued during 1955 and the share of wheat in the total value of imports was 10 per cent as compared with 8 per cent in 1954. The value of capital goods imported was almost maintained while there was a significant decline in imports of non-ferrous metals and chemical products. The value of agricultural machinery also fell substantially, largely on account of smaller tractor imports which had a value of about $20 million in 1955 as compared with $50 million in 1954.

While the share of the United States in the total value of imports fell from 34 per cent in 1954 to 24 per cent in 1955 (first ten months), her participation in exports increased from 33 to 42 per cent during this period. The decline in the share of the United States was due not only to a fall in the value of wheat imports from that origin, but also to a significant decline in the value of imports of manufactured goods, especially capital goods. Whilst Continental Western Europe's share in the value of imports was maintained at about 30 per cent, the United States suffered a decline in exports from 35 per cent to 30 per cent. The fall in the share of Western Germany in import values from 10 per cent in 1954 to 7 per cent in 1955 was offset by an increased share of the imports from France and Italy. The value of imports from the United Kingdom fell from $25 million in 1954 to $19 million in 1955, in spite of the fact that payments difficulties and the bilateral pattern of Brazilian trade which hampered Anglo-Brazilian trade in former years were to a large extent resolved by the conclusion in August 1955 of a payments agreement between Brazil and the United Kingdom, the Netherlands and Western Germany (later joined also by Belgium), which provides for the pooling of the currencies used in trade between these countries and Brazil. The share of both Venezuela and Argentina in imports increased on account of higher value of petroleum imported from the former and wheat from the latter country.

During the first three quarters of 1955, Chile's exports ($435 million at an annual rate) were $48 million higher than in the corresponding period of the preceding year. Imports (c.i.f.), however, remained constant (at $371 million in the first three quarters of 1954 and of 1955). Most of the increase in the value of exports - and in the trade surplus - was accounted for by the higher unit value of copper exports. During the first eight months, the quantum was about the same in both years (nearly 230,000 tons). However, the destination of these shipments was substantially different. Whereas the United States took 66 per cent in 1954, only 51 per cent went to that country in 1955, the rest in both periods going almost entirely to Western Europe. This shift in the direction of copper exports was due to the difference between the New York and the London price quotations. In the first three quarters of 1954, these had been practically the same, but during the corresponding period of 1955, the London price was on the average
23 per cent higher than the New York price. In the last quarter of 1955, the United States price (which the large American companies attempt to stabilize in order to maintain the competitive position of copper vis-à-vis aluminium) was raised, and the excess of the London quotation was thereby somewhat diminished — to about 11 per cent. In contrast to the performance of copper exports, the decline in nitrate exports continued and unsold stocks are accumulating (estimated at 100,000 tons as of mid-1955). The loss on account of nitrates (the export value of which in January — August 1955 was about $35 million as against $40 million a year earlier) was roughly equalled by a rise in the exports of timber (which increased from $8 to $13 million).

The commodity composition of imports showed only minor changes. Within an approximately constant total value, fuels and foodstuffs declined (as a result of larger domestic production), while manufactures (including textiles) increased. Accordingly, the share of the industrial areas (mainly Continental Western Europe) in the import trade increased from 65 per cent to 72 per cent and that of Latin America fell from 30 to 24 per cent as between January — August 1954 and January — August 1955. Chile seems to be the only country in the area where the United States increased its share in the imports of capital goods at the expense of supplies from Western Europe. Chile's trade with the Soviet area remained negligible.

In 1955, Peru had a trade deficit which amounted to $31 million as compared with a small import surplus of $5 million in 1954. While the total export earnings increased (from $245 million in 1954 to $269 million in 1955), the value of imports registered a much higher increase (from $250 million to $300 million), in sharp contrast to the general trend within the region. The increase in imports was not only due to the liberal commercial and foreign exchange policy followed by Peru, but also to a substantial capital inflow.

The improvement in export earnings was on account of higher prices and greater volume of metal exports. All the important non-ferrous metals (lead, copper and zinc) participated in this increase while there was some decline in the quantum and value of iron ore exports. The share of minerals in the total value of exports increased from about 30 per cent in 1954 to 34 per cent in 1955 (nine months). There was also a slight increase in the value of sugar exports, mainly because of a larger quantum of exports, while the share of sugar in the total export values was maintained at about 14 per cent. The volume of petroleum exports was about one-third larger in 1955 than in 1954, and the share of petroleum exports also increased from 7 to 9 per cent during this period. The relative importance of cotton in the total export proceeds was almost maintained at 25 per cent. In contrast to the other cotton exporting countries of the region, Peru did not suffer from the weakening in the prices which came during the last quarter of 1955, since most of her high quality crop was sold forward at favourable prices before the decline in cotton quotations set in. Chile was the principal buyer of Peru's cotton in 1955, followed by the United Kingdom, Western Germany and the United States.
The changes in the composition of imports during 1955 were negligible. All the major import items were affected by the expansion in the import values. Foodstuffs and chemicals continued to account for 15 and 10 per cent, respectively, in 1955 as in 1954. The imports of capital goods continued to grow and this movement was aided by the increased inflow of foreign investments. Machinery imports represent about 25 per cent of the total value of imports, and iron and steel imports again accounted for 6 per cent as in 1954. Imports of transport equipment, both absolute and relative, increased - their share in the total import values rising from 9 per cent in 1954 to 11 per cent in 1955.

As regards the direction of trade, the main changes during 1955 occurred in respect of North America and Western Europe. North America's share in import values fell from 54 to 52 per cent between 1954 and 1955. Continental Western Europe's share in imports increased from 16 to 24 per cent, while that of the United Kingdom declined from 16 to 11 per cent. In exports, on the other hand, Continental Western Europe rose in relative importance (from 23 to 25 per cent), while the shares of North America and the United Kingdom were maintained at about 38 and 9 per cent, respectively.

Even judging from incomplete returns, it is certain that 1955 has witnessed very unfavourable developments in the foreign trade of Uruguay. Exports in the first three quarters were valued at $173 million (at an annual rate) - 38 per cent below the corresponding period of 1954. Imports also fell in value - at $214 million (annual rate) they were about 10 per cent lower than in the preceding year. The export surplus of 1954 (three quarters at an annual rate) of about $40 million in 1955 gave way to an import surplus of nearly the same amount.

The loss in export proceeds was mainly accounted for by wool and meat, (each of which brought about $50 million loss); it was due to a fall in both volume and price in respect of wool, and to a disastrous decline (by 88 per cent) in the volume of meat, though its price was well maintained. Much of the reduction in meat exports is attributed to low output - partly the result of government policy favouring wheat production. However, the resulting excess over domestic requirements has, in the absence of a corresponding increase in wheat exports, given rise to the accumulation of a stock which, at the end of 1955, was reported to consist of 140,000 tons. The liquidation of this unsold surplus is considered difficult, in view not only of the expected favourable crop, but also because of the recent (November 1955) sale by the United States (against national currency and at about half the cost to the Commodity Credit Corporation) of about 500,000 tons of wheat and wheat flour to Brazil - the main market for Uruguay's wheat exports. The sales of wool tops in 1955 have, after a slump by about 20 per cent in 1954, again reached and even exceeded the quantum of 1953.

The fall in the value of imports affected mainly primary products (crude foodstuffs and raw materials) while fuels (mainly crude oil) and textiles increased, and the value of motor vehicles and machinery remained constant.
The direction of trade was also significantly altered. Exports fell, particularly to Brazil, the United States, Germany, France and the United Kingdom, but rose to the Netherlands and Japan, while imports increased especially from the United States and Italy, but declined from the United Kingdom and France. The value of shipments to the USSR and the Eastern European countries was much below the level of 1954 (they fell from $23 million in 1954 to about $13 million in 1955--first half at annual rate), while the value of imports from these sources, though small, doubled during the period (from $1 million to $2 million).
The trade position of the area

After having remained constant for the last three years, the export earnings of the overseas sterling area tended to rise during 1955. The total value of exports increased by $460 million, or about 9 per cent, between the first half of 1954 and the first half of 1955. The rate of increase was roughly the same for British dependencies and the independent sterling area. The latter group of countries continued to account for two-thirds of the total. Almost each one of them experienced higher export receipts. The greatest percentage gains were recorded by India (16 per cent), Ceylon (13), the Federation of Rhodesia and Nyasaland (11) and Australia (7). Among the dependencies, the largest advance in export proceeds occurred in Malaya and Singapore (30 per cent) while those in the West Indies also had higher export earnings. The West African dependencies as a whole suffered a loss, mainly on account of a reduction in value of cocoa exports.

The value of imports (f.o.b.) into the overseas sterling area also rose, showing the same increase as exports - $450 million, or 9 per cent - between the first half of 1954 and the corresponding period of 1955. In spite of the intensification of import restrictions, the level of imports in Australia in the latter period was nearly one-quarter higher than a year earlier. The imports of New Zealand similarly rose by one-quarter, while those of India, Ceylon and the Union of South Africa were also appreciably higher.

During the first half of 1955, the area as a whole had the same export surplus (about $600 million) as in the first half of 1954.

Commodity composition and direction of exports

Although four-fifths of the export earnings of the overseas sterling countries are derived from primary products, the concentration on particular commodities is less marked than in the case of Latin America. The higher level of export earnings during the first half of 1955 was the result of higher receipts from rubber, tea, wheat, petroleum, jute, copper and tin, which together yielded an increase of $320 million. Earnings from wool and cotton exports during this period were maintained close to the level of the first half of 1954, while some reduction, amounting to $95 million, occurred in respect of cocoa, sugar, coffee and manganese.

The increased receipts from petroleum and wheat were due to larger volume, those from tin and copper to higher prices, while rubber, tea and jute earnings rose on account of both volume and price. The increase in the export quantum

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1 In the absence of f.o.b. import values, the trade balances of India, Burma, Ceylon and Pakistan have been estimated from c.i.f. import values.

2 For a detailed discussion of the composition of sterling exports, see International Trade - 1954, page 80.
of wool and cotton was offset by a fall in their prices. The smaller receipts from coffee and cocoa were mainly due to lower prices while in the case of sugar there was a decline in volume. The decrease in export value of manganese ore was partly the result of increased domestic consumption in India and South Africa, while Gold Coast exports were hampered by a shortage of shipping space; another contributing factor was the increased competition from the U.S.S.R. in supplies to Western Europe.

The value of exports (excluding oil shipments) from the overseas sterling area to all sterling destinations again accounted for 55 per cent of the total, the decline in the share of the United Kingdom in those exports (from 37 to 35 per cent between the first half of 1954 and the corresponding period of 1955) being matched by an increase in the share of trade within the rest of the sterling area. While there was no change in the share of non-sterling destinations as a whole, the exports to Continental Western Europe and to the dollar area rose (by $100 million and $80 million respectively), while the increase in exports to Japan was much smaller ($20 million).

Commodity composition and origin of imports

As in previous years, two-thirds of the total value of the overseas sterling area's imports originated in the industrial world. Three-fourths of the rise in the total value of imports (by $450 million, f.o.b.) as between the first halves of 1954 and 1955, was on account of increased imports of manufactured goods from the industrial areas. The rise was most marked in respect of semi-manufactures (by $200 million, or 25 per cent), while the imports of capital goods rose less (by $78 million, or 8 per cent) and those of consumer goods least (by $45 million, or 6 per cent). Capital goods nevertheless continue to be the largest single category.

Of the total increase in the value of exports of manufactures ($323 million), North America had the largest share ($93 million), followed by Japan ($88 million), Continental Western Europe ($87 million) and the United Kingdom ($55 million). The United Kingdom remained the major supplier of manufactured goods, but her relative share fell significantly from 58 per cent in the first half of 1954 to 54 per cent in the corresponding period of 1955. This decline in the relative position of the United Kingdom as a supplier of manufactures (which occurred in respect not only of consumer goods but also of capital goods and semi-manufactures) becomes significant by the fact that in this area she not only enjoys preferential customs treatment, but also has the advantage of old-established commercial and financial relations.

The gains of other exporters of manufactures were widely distributed. The share of North America advanced most in respect of consumer and capital goods, that of Continental Western Europe in semi-manufactures and capital goods and that of Japan in semi-manufactures and consumer goods.
The trade position of individual countries

Australia's trade position further deteriorated during 1955. A record deficit of $178 million in the balance of trade was incurred as compared with the import surplus of $29 million in 1954, and as contrasted to the large export surplus of $685 million in 1953. Although $100 million higher than in the preceding year, the export earnings ($1,755 million) were still 14 per cent below the 1951 peak. The value of imports ($1,933 million) in 1955 was $250 million higher than in 1954 and was second only to the record total of 1951.

The rise in export earnings was mainly due to a higher volume of shipments since prices of major export products suffered significant declines between 1954 and 1955. Despite an increase of 16 per cent in the quantum of wool exports, their value remained unchanged at about $800 million, and their share in total export values declined from 48 to 44 per cent. The increase in total export earnings resulted from an increase in the value of wheat, butter and meat exports (by $20 million, $24 million and $11 million, respectively).

Under the strong pressure of internal demand and in view of the failure of domestic production to increase substantially in certain branches of manufacturing, e.g. industrial machinery and textiles, import expenditures increased by 15 per cent from 1954 to 1955. The most noticeable increase occurred in respect of metals, metal manufactures and machinery; their combined value rose from $631 million in 1954 to $756 million in 1955. While imports of petroleum and paper manufactures also recorded some increases, the imports of textile manufactures were maintained at about $300 million.

The increased participation of Japan in the export as well as in the import trade of Australia was the major change in the geographical pattern of Australia's trade in 1955. Exports to Japan increased from $115 million to $165 million, and imports from that country more than doubled between 1954 and 1955 - from $25 million to $55 million. As in 1954, the sterling area continued to account for about 55 per cent of both export and import trade of Australia. The value of imports from Continental Western Europe and the dollar area increased by $50 million and $52 million, respectively, while the exports to the dollar area were $20 million higher and to Continental Western Europe $10 million lower during this period.

The value of New Zealand's exports as well as imports reached a record level during 1955. Although export earnings were only $25 million, or 4 per cent, larger than in 1954, and the import values expanded much more by nearly $95 million, or 16 per cent, the balance of trade still yielded a small surplus.
Notwithstanding some recovery in the export quantum of dairy products, the export proceeds therefrom rose only slightly, owing to a further fall in prices. Wool exports also increased in value, reflecting a larger volume while prices for the coarser grades, which constitute the bulk of these exports, were less affected by the weakening of world demand. New Zealand maintained her position as the world's largest exporter of carcase meat, in spite of a slight decrease in the volume of her shipments. Earnings rose on account of higher prices, and the share of meat in the total value of exports rose from 18 per cent in 1954 to 23 per cent in 1955.

The recovery in the value of imports following the relaxation of restrictions affected all the major categories and left their shares unaltered. Manufactured goods continued to account for about 15 per cent of the total value of imports in 1955, of which consumer goods represented 30 per cent, semi-manufactures 25 per cent and capital goods 20 per cent.

As in recent years, the sterling area accounted for about three-quarters of both export proceeds and import values, and the role of the United Kingdom as a market for exports was much larger than as a supplier of imports.

During 1955, the value of both the exports ($1,250 million) and imports ($1,360 million) of India was 5 per cent above the level of the preceding year. The trade deficit again amounted to about $110 million.

Judging from returns covering only the first eight months, the export earnings from jute manufactures rose during 1955, owing to an increase in both price and volume, and thereby resumed the position as the most important export item (accounting for 22 per cent of the total) which tea had temporarily occupied last year (its share fell from 23 per cent in 1954 to 18 per cent). While there was a decline in the value of cotton textiles (which fell from 13 to 10 per cent) vegetable oils and oilseeds became a significant export item in 1955 (their share rising from 2 per cent in 1954 to 7 per cent in 1955).

The commodity composition of imports reflected the rising tempo of economic and industrial development. The impact was most visible in respect of capital goods - imports of machinery rose from $175 million in 1954 to $215 million in 1955 (eight months at annual rate), and though still modest, even included complete plants for the manufacture of machine tools and other equipment. The emphasis on the establishment of heavy industry also entailed a rise in the imports of iron and steel (from $57 million to $90 million). Simultaneously, there has been a reduction in the imports of such raw materials and semi-manufactures as are increasingly being produced domestically. For instance, there was a pronounced fall in the imports of fuel oils owing to the commencement of operations by new oil refineries. Although crude oil has to be imported in larger quantities, the reduction in import outlay has been accentuated by the rise in the world price of fuel oil and lubricants in relation to the price of crude petroleum. The imports of dye-stuffs which are basic to the textile industry, also fell as a result of increased domestic production. In spite of
the increased consumption of raw cotton by Indian textile mills, the volume of cotton imports declined by 12 per cent between the last two seasons, affecting mainly the Egyptian and Sudanese varieties. As a result of the simultaneous increase in the supply of Indian cotton, the share of imported cotton fell from 18.5 to 15 per cent during this period. The decline in food imports, which has been in evidence since 1953, continued in 1955.

The geographical pattern of India's trade remained more or less the same in 1955 as in previous years. There was an increase in the value of exchanges in all major directions. The United Kingdom and the United States continued to be the principal trading partners, accounting for about 25 and 15 per cent respectively, of both exports and imports. The slow growth of India's trade with the U.S.S.R., Eastern Europe and mainland China continued, although the total share of these countries barely amounted to 2 per cent of the total value of the foreign trade of India.

During 1955, Pakistan had an export surplus of $112 million as compared with $25 million in 1954. Export earnings ($401 million) were about 12 per cent above, and import values ($289 million) were 14 per cent below the level of the preceding year.

The decline in the value of imports (expressed in dollars) during 1955 was not merely the result of the devaluation since the change in the par value of Pakistan's currency occurred only at the end of July, i.e. too late to affect substantially the trade returns for 1955 as a whole. Moreover, the value of exports (expressed in dollars) did not change significantly; they exceeded imports by 38 per cent before the devaluation and by 40 per cent afterwards. As a result the export surplus increased after devaluation to a monthly average of $9 million, as compared to $8.5 million in the pre-devaluation period.

The value of raw jute and raw cotton exports was higher in 1955 - on account of a 10 per cent increase in price and volume in respect of jute, while the increase in cotton receipts was mainly due to higher volume. Although the export earnings are still dominated by sales of primary products, the slow trend in the lessening of the concentration on cotton and jute in the composition of Pakistan's exports continued during 1955. While cotton and jute together accounted for about 83 per cent of the total value of exports in 1953, their combined share declined to 75 per cent in 1954, and in 1955 further fell to 72 per cent. The corresponding gain in relative importance affected such other export commodities as hides and skins, wool, tea and jute manufactures.

The decline in the value of imports affected primarily those commodities the domestic production of which has been growing, for instance cotton manufactures, paper, cigarettes, matches, sugar, chemicals, edible oils and soaps. Wheat imports also declined in 1955, following a favourable harvest.
The detailed composition of imports is only available in respect of private imports, whereas no complete commodity breakdown is available for imports on government account which represented nearly 15 per cent of the total value of imports in 1955. Wheat, coal and sugar which figured prominently in government imports during 1954, declined in 1955. Imports of manufactured goods continued to account for nearly 80 per cent of the total value of private imports, and nearly half consisted of machinery and iron and steel products. On the other hand, the value of cotton textile imports, which had continuously declined in recent years (from 32 per cent of total import values in 1951 to 8 per cent in 1954) fell further during 1955 and represented only 5 per cent of the value of imports.

The devaluation brought the par value of Pakistan's currency into line with that of the Indian currency and reinforced the revival of trade with India which was already under way. More jute and cotton was exported to India, and though imports of coal from India declined slightly, this fall was more than compensated for by increased imports of other commodities. The only other significant changes in the direction of Pakistan's trade are a decline of imports from Japan, the United Kingdom and Continental Western Europe (mainly Italy) and an increase of exports to Japan and North America.

While the value of Burma's exports during 1955 (about $250 million) was maintained at the level of the preceding year, import values declined significantly (from $204 to $180 million). Consequently, the export surplus rose from $45 million in 1954 to $70 million in 1955. The unit value of rice exports fell further and their quantum was also below 1954. But the fall in such receipts was made up by an increase in the value of other exports. The value of teak exported was slightly below the level of 1954.

While manufactured goods continue to account for about three-quarters of imports, the share of consumer goods in the total import values declined from 40 to 36 per cent between 1953 and 1955, that of capital goods increased from 10 to 12 per cent and the semi-manufactures were maintained in relative importance at 23 per cent. The reduction in imports of consumer goods mainly affected textiles. Although textiles continue to be the most important single item among imports, their share in the total value of imports declined from 34 per cent in 1953 to 18 per cent in 1954 and about 15 per cent in the first half of 1955. Both exports to and imports from India and Japan during 1955 were lower than in 1954, while trade with Eastern Europe, the U.S.S.R. and China, though still representing a very small proportion of the total, was increasing. However, the decline in the off-take of rice by the traditional buyers (India, Japan, Indonesia and Ceylon) was not fully compensated for by increases in supplies to mainland China, the U.S.S.R., the Eastern Europe countries and Israel.

In 1955, Ceylon's export surplus recorded a new peak of $100 million which was $10 million higher than in 1954.
Export earnings ($407 million) during 1955 were 7 per cent larger than in 1954. The value of tea exports at about $250 million was somewhat higher than in 1954 and again accounted for about 60 per cent of the total export proceeds. Export proceeds from rubber also expanded following a rise both in their volume and price.

The value of imports rose from $293 million in 1954 to $307 million in 1955. Food imports, which accounted for nearly 30 per cent of total import values in 1954, declined in 1955 on account of lower volumes and prices, notably of rice and wheat. On the other hand, the import value of capital goods showed a considerable increase in 1955 owing to an increase in investment activities.

The United Kingdom continued to be the main source of supplies (21 per cent of the total) and the major destination of exports (29 per cent). However, the main change in the geographical pattern of trade during 1955 resulted from the decline in the value of exchanges with mainland China. Following the rubber-rice agreement, mainland China became the second most important customer in 1953 as well as in 1954 (12 per cent of the total). During these two years the price of sheet rubber paid under the agreement were substantially higher, and the price of rice lower, than the corresponding world market prices. In 1955, the divergent price movements made the operation of the barter agreement difficult. While Ceylon was unable to import additional quantities of rice owing to a favourable harvest, world prices of rubber rose above those paid for by China and those of rice offered by China too became unfavourable due to a further fall in the world price. The value of rubber exports to mainland China declined sharply from $46 million in 1954 to $23 million in 1955 and those to other countries increased from $14 million to $50 million. Imports from mainland China also declined from $33 million to $14 million during this period owing to reduction in the value of Ceylon's purchases of Chinese rice.

The export earnings of the Federation of Rhodesia and Nyasaland in 1955, at about $490 million, were 18 per cent larger than in 1954. The value of imports (about $390 million, f.o.b.) were also higher during this period. The export surplus increased from $60 million to about $100 million.

The increase in the export proceeds was mainly on account of higher copper receipts, which rose from $240 million in 1954 to $306 million in 1955. This notable increase was entirely due to a sharp rise in the price of copper since the volume of copper exported during 1955 was 12 per cent below the level of the previous year, mainly on account of strikes in the Rhodesia mines during the earlier part of 1955. The share of copper in the total export proceeds increased from 58 per cent in 1954 to 63 per cent in 1955. As regards the exports of other minerals, the value of cobalt and zinc in 1955 was somewhat below the 1954 level, while that of lead and chrome was slightly higher. The quantum of all minerals exported, however, was in all cases lower than in 1954.

With the unification of customs control in the three constituent territories of the Federation as from January 1954, separate external trade statistics for Southern Rhodesia, Northern Rhodesia and Nyasaland were discontinued and replaced by Federal trade statistics.
After copper, tobacco is the Federation's second major export commodity; the exports of tobacco accounted for 17 per cent of the total export proceeds in 1954 and was about unchanged in 1955. In spite of a decline of roughly 5 per cent in volume, tobacco proceeds were about 4 per cent larger in 1955, owing to a rise in price which was far more pronounced for dark-fired types than in the case of flue-cured qualities. Among other exports, tea is the most important.

The Federation's imports during 1954 comprised mainly manufactured goods (81 per cent of the total value) while the remainder was distributed among food (10 per cent), fuels (5 per cent) and raw materials (4 per cent). Among manufactures, the largest category was consumer goods (34 per cent) - mainly textiles and motor vehicles - followed by capital goods (24 per cent) and semi-manufactures (23 per cent) - principally steel and chemicals. During 1955 there was some rise in imports of capital goods and semi-manufactures (especially dye-stuffs and other chemicals), while imports of consumer goods showed some decline, mainly on account of the lower value of imports of automobiles and cotton textiles. Both these tendencies reflect industrial development activities.

Most of the Federation's foreign trade is conducted with the sterling area; in 1954 the United Kingdom accounted for nearly 43 per cent of the total import values and 57 per cent of the total export proceeds. While the Union of South Africa is the second most important source of supplies - its share being 35 per cent of the total import values in 1954 - it is less significant as a destination for exports (10 per cent). The United States comes second in relative importance as a market for exports and third as a source of imports. The expansion in trade during 1955 affected all the major trade partners and there was also substantial increase in exchanges with Continental Western Europe.

Owing to a change in the coverage of the trade returns, the exports ($1,050 million) and imports ($1,350 million) of the Union of South Africa in 1955 are not comparable with those of the preceding year. As in earlier years, the import surplus of about $300 million was approximately covered by exports of newly mined gold.

Among merchandise exports, wool continued to be the main item, accounting for nearly one-fifth of total export earnings. Foodstuffs (among which fruits, maize, sugar and groundnuts are most important) taken together had nearly the same share. Minerals (mainly uncut diamonds and asbestos) account for another 7 per cent.

Prior to January 1955 trade statistics of the Union of South Africa included the trade of the territory of the Union of South Africa and the territories of Basutoland, Swaziland and Bechuanaland. As from 1 January 1955 the territory of South-West Africa is also included.
While the inclusion of South-West Africa in the trade returns makes it difficult to discuss recent changes in the exports of the primary products mentioned, valid comparisons with the preceding year can be made in other respects. There was, in particular, a spectacular increase in the export value of "Prescribed Materials under the Atomic Energy Act" (which include uranium) from $36 million in 1954 to about $80 million in 1955. The upward trend in the exports of manufactures from the Union was maintained in 1955 and, if manufactured foodstuffs are excluded in this year, roughly represented 20 per cent of the total export earnings. The most significant increases, during 1955, were recorded in respect of agricultural implements, electrical batteries, leather and rubber manufactures, and paper.

As a result of the sustained policy of import liberalization, almost all the major import categories, with the exception of textiles, showed higher values during 1955. The value of textiles imported fell by one-tenth between 1954 and 1955 and their share in the total declined from 25 per cent to about 20 per cent. On the other hand, the value of motor vehicles imported increased from $90 million to $140 million during this period. The value of machinery, metals, and metal manufactures also rose from about $330 million to $370 million and accounted for well over one-quarter of the total value of imports in 1955.

Apart from "prescribed materials" for which destinations are not given, there were several important changes in the direction of exports (though these are not strictly comparable, as between 1954 and 1955, as above-mentioned). While the share of sterling countries remained constant at about 60 per cent, there was a marked increase in exports to the Rhodesias. Among non-sterling destinations, the most notable increases were in respect of Belgium, the Netherlands and Japan, while merchandise exports to the United States dropped.

Import liberalization had its main effects upon non-sterling and especially dollar imports. Accordingly, the share of the sterling area fell slightly, from 45 per cent in 1954 to 43 per cent in 1955. Supplies from the United States and Canada, which in 1954 accounted for 23 per cent of the total, in 1955 rose to about 27 per cent. While imports from Japan fell, those from Western Germany rose.