INTERNATIONAL TRADE - 1956

A Report by the Secretariat on Trade, Trade Barriers
and the Activities of the CONTRACTING PARTIES

Trade of Non-industrial Areas
(The Overseas Sterling Area)

The draft here attached belongs to the section of Part I which
deals with "Trade of Non-Industrial Areas". Any contracting party
wishing to make suggestions is requested to do so not later than 10 May.
When ever possible, more up-to-date figures will be substituted before
the draft goes to the printer.

The draft dealing with the trade of the Middle East, the USSR,
Eastern Europe, mainland China, and some other countries, will be
distributed shortly.
The trade position of the area

The export earnings (f.o.b.) of the sterling countries other than the United Kingdom, Ireland and Iceland, rose from $11,776 million in 1955 to $12,074 million in 1956, or by 2.5 per cent, and in that year stood at a level which was only 1 per cent below the record 1951 figure. However, the value of total imports (c.i.f.) at $12,578 million was not only 5.3 per cent greater than last year, but stood at a peak level. There was a further deterioration in the trade gap which widened from $174 to $504 million from 1955 to 1956.

In 1956, the dependent overseas territories of the United Kingdom accounted for about 33 and 36 per cent of the overseas sterling area's total export proceeds and the import outlays respectively, and these proportions were roughly the same as in 1955. Among some twenty odd British territories only five, i.e. Malaya, Hong Kong, Nigeria, the Gold Coast\(^1\), and Trinidad taken together account for as much as two-thirds of the total value of exports as well as imports of the British overseas dependent areas.

Among the independent sterling countries, Australia, India and the Union of South Africa, are relatively most important and together accounted for 54 and 64 per cent of the total export earnings and the import expenditures, respectively, of the independent overseas sterling area.

The growth in export earnings of the area ($298 million) from 1955 to 1956 resulted mainly from an increase in the export receipts experienced by the dependent territories ($246 million, or 6.5 per cent), while the expansion in respect of the overseas independent sterling countries was negligible (only $52 million, or 0.7 per cent). Among the British dependencies, the greatest gains were recorded by Hong Kong ($119 million, or 27 per cent), Malta ($2 million, or 25 per cent), Jamaica ($20 million, or 21 per cent), Cyprus ($10 million, or 19 per cent), Uganda ($12 million, or 19 per cent), Tanganyika ($18 million, or 18 per cent), Sierra Leone ($15 million, or 17 per cent), Trinidad ($26 million, or 16 per cent), Nigeria ($17 million, or 5 per cent), Kenya ($4 million, or 5 per cent), and the Gold Coast ($6 million, or 2 per cent). Export earnings of Malaya ($1,361 million), Aden ($176 million), Sarawak ($158 million), Brunei ($100 million), North Borneo ($36 million), and Barbados ($25 million) in 1956 remained very close to the 1955 level. On the other hand, some decline in export proceeds was suffered by the Fiji Islands and British Guiana.

Among the independent (non-OKX) members of the sterling area the greatest gains were recorded by Australia ($147 million, or 8 per cent), the Union of South Africa ($129 million, or 12 per cent), New Zealand ($46 million or 6 per cent), the Federation of Rhodesia and Nyasaland ($27 million, or 6 per cent), and Iraq ($11 million, or 2 per cent). While exports from India ($1,256 million) in 1956 were only 1.6 per cent lower than in 1955, the fall in respect of Pakistan ($62 million, or 15 per cent), and Ceylon ($43 million, or 11 per cent) was much more pronounced. The export earnings of Burma (about $230 million) in 1956 were almost unchanged from 1955, while there was a fall

\(^1\) From March 1957, Ghana (formerly known as the Gold Coast) became an independent member of the overseas sterling area. In the present report this country is included with the British dependencies since the scope here is limited to a review of 1956 trade developments only.
in respect of Pakistan ($62 million or 15 per cent), and Ceylon ($43 million, or 11 per cent) was much more pronounced. The export earnings of Burma (about $230 million) in 1956 were almost unchanged from 1955, while there was a fall in the aggregate export earnings of the British Protectorate States in the Persian Gulf (Bahrain, Kuwait, Qatar and Trucial Oman) from $1,139 million in 1955 to $968 million in 1956, owing mainly to the slowing down of petroleum exports during the last quarter of 1956 as a result of the Suez crisis.

The rise in total import expenditure of the area valued at c.i.f., ($628 million or 5.2 per cent) from 1955 to 1956 was a combined result of the rise in the imports of the British dependencies ($352 million or 8.4 per cent) and the increase recorded by the overseas independent sterling countries ($276 million or 3.6 per cent). Among the British dependent territories, largest increases were experienced by Sierra Leone ($16 million, or 30 per cent), Cyprus ($24 million, or 26 per cent), Hong Kong ($148 million, or 27 per cent), Jamaica ($29 million, or 23 per cent), Kenya ($45 million, or 22 per cent), North Borneo ($5 million, or 17 per cent), Nigeria ($35 million, or 9 per cent), and Sarawek ($10 million, or 7 per cent). The value of imports into the Gold Coast ($245 million), Aden ($208 million), Trinidad ($176 million), British Guiana ($58 million), the Fiji Islands ($38 million), and Barbados ($34 million) in 1956 remained close to the level of the preceding year. On the other hand, there was some decline in the value of imports into Uganda, Mauritius, and Tanganyika.

The rise in the total import values (c.i.f.) of the independent sterling countries (by $273 million) from 1955 to 1956 resulted from an expansion in India ($335 million, or 25 per cent), Pakistan ($54 million, or 19 per cent), Ceylon ($36 million, or 12 per cent), Burma ($18 million, or 10 per cent), Iraq ($26 million, or 9 per cent), the Union of South Africa ($49 million, or 3 per cent), and the Federation of Rhodesia and Nyasaland ($58 million, or 15 per cent). Australia was the only country which recorded a substantial decline in the import values ($223 million, or 10 per cent).

The substantial increase in the trade deficit (calculated on the basis of c.i.f. import values) of the overseas sterling area as a whole, was a combined result of a virtual disappearance of the trade surplus recorded by the independent sterling countries in the preceding year (a decline from $245 million to $21 million in 1956), and a 25 per cent increase in the trade deficit of the British dependencies (from $419 to $525 million). It is noteworthy that the trade surplus of the independent sterling countries accrued mainly on account of the favourable trade position of Iraq and the British Protectorate States in the Persian Gulf, since the trade surplus of these oil exporting countries ($766 million) in 1956 was nearly matched by the combined trade deficit of the remaining independent members in the area ($745 million). The increase in the total deficit of the British dependencies was largely a result of a deterioration in the trade balance of Hong Kong, Kenya, Uganda, Cyprus, Malta, British Guiana and Trinidad.
Commodity composition and direction of exports

[To be drafted later.]

Commodity composition and origin of imports

Though two-thirds of the total value of the overseas sterling area's imports continued to originate in the industrial world, there were significant shifts from 1955 to 1956 in the relative shares of the major industrial suppliers. While the share of the United States and Continental Western Europe rose from 9 to 11 per cent and 15 to 16 per cent, respectively, between the first three-quarters of 1955 and the corresponding period of 1956, that of the United Kingdom and Canada fell from 35 to 33 per cent and 3 to 2 per cent, respectively, and that of Japan was maintained at about 5 per cent. Of the total increase in the value of imports (f.o.b.) of $481 million from industrial areas ($5,203 to $5,684 million) during this period, the United States accounts for $194 million, followed by Continental Western Europe (184 million), the United Kingdom ($70 million) and Japan ($33 million), whereas imports from Canada remained unchanged. The geographical distribution of imports coming from the non-industrial sources was also significantly altered insofar as the share of the overseas sterling area declined from 20 to 18 per cent and the combined share of the non-sterling countries of the Middle East and Far East, as well as the Eastern European countries, rose from 12 to 14 per cent.

While the share of manufactured goods in the total imports from industrial sources remained constant at 84 per cent between the first three quarters of 1955 and the corresponding period of 1956, the share of machinery and transport equipment in these imports rose from 42 to 43 per cent and that of the other manufactures declined from 58 to 57 per cent. As regards the relative position of the different suppliers, the United Kingdom lost some ground in favour of other industrial sources, since her share in the area's total imports of machinery and transport equipment fell from 61 to 57 per cent, and also declined in respect of other manufactures from 48 to 47 per cent. The share of Continental Western Europe in capital goods rose from 17 to 19 per cent and in respect of other manufactures from 25 to 28 per cent, whereas that of the United States in capital goods rose from 17 to 18 per cent, and in respect of semi-manufactures and consumer goods from 9 to 10 per cent. The share of Japan in capital goods and other manufactures remained unchanged at 3 per cent and 13 per cent, respectively.

While the above discussion deals with the pattern of the import trade of the overseas sterling area taken as a whole, a few words may be added about the major developments affecting the imports of the British dependent territories during 1956. There may perhaps be a further justification for doing so since the trade position of each dependent territory is not studied individually in this report while the independent sterling countries are discussed below in much greater detail. In the absence of complete trade returns for 1956, the following discussion limits itself to developments in the first three-quarters of 1956 in comparison with the pattern of imports.
which existed in the corresponding period of 1955 and relates only to imports from the industrial areas. Between the two periods, the total imports (f.o.b.) into the dependent territories of the United Kingdom rose in value from $1,461 to $1,691 million, or by 16 per cent - one of the highest rates of import expansion experienced during 1956 by any non-industrial area. While the share of manufactures in these imports rose from 75 to 76 per cent, there was a decline in the relative importance of semi-manufactures and consumer goods from 52 to 50 per cent and a rise in respect of machinery and transport equipment from 23 to 26 per cent. Although the United Kingdom remained the major supplier, her share in the total imports fell from 55 to 52 per cent (the fall in capital goods being from 74 to 69 per cent and that in respect of other manufactures from 55 to 46 per cent). Continental western Europe also suffered a slight loss in relative importance in the total value of imports from 21 to 20 per cent. On the other hand, the share of both Japan and the United States in the total import outlays rose, in the case of the former the increase being from 12 to 14 per cent and that of the latter from 8 to 11 per cent. While the share of the United States and Japan in capital goods advanced from 10 to 12 per cent and 2 to 4 per cent, respectively, the rise in semi-manufactures and consumer goods was from 6 to 8 per cent and 20 to 23 per cent, respectively.

The trade position of individual countries

The year 1956 witnessed a marked improvement in Australia's trade position. There occurred a trade surplus of $183 million in sharp contrast to the record deficit of $184 million in 1955. This amelioration was a combined result of an expansion in export proceeds (from $1,749 to $1,896 million, or 8.4 per cent) and a severe reduction in import expenditures (from $1,933 to $1,713 million, or 11.4 per cent).

The rise in export earnings was mainly due to increased receipts from the sales of wool, wheat, sugar and metals and their manufactures which together far outweighed the loss in proceeds from the shipments of meat and butter. The increase in the price of wool (about 3 per cent above the 1955 level) combined with a larger volume of exports (also about 3 per cent over last year) resulted in lifting export receipts from wool from $796 to $844 million. As a result wool continued to play a dominant rôle and its share in total export values at 45 per cent in 1956 was the same as in 1955. Wheat and flour shipments during 1956 also showed a significant increase to $189 million as compared with $146 million in 1955 (mainly as a result of a larger volume since prices were somewhat below the level of the preceding year) and their share in the total export earnings rose from 8 to 10 per cent. Exports of sugar rose in value from $59 to $69 million and in relative importance from 3 to 4 per cent. There was a 10 per cent increase in the volume of sugar exports and the rise was mostly accounted for by a larger offtake by the United Kingdom. While the value of butter exports declined from $68 to $65 million (despite a slight rise in their volume), there was a sharp fall both in the value (from $79 to $57 million or 28 per cent) and volume (22 per cent) of meat exports. In recent years a wide variety of manufactured goods is being exported by Australia which range from diesel electric locomotives and motor cars to ball-point pens and fashion goods. However, the bulk of
The most significant development affecting the direction of exports during 1956 was the decline, both relative and absolute, in the value of exports to the United Kingdom and a corresponding increase in the share of Japan. Exports to the United Kingdom fell from $623 million in 1955 to $583 million in 1956 and their share in the total export proceeds declined from 35 to 31 per cent (the lowest ever recorded). The decline in the off-take of the British market was partly a result of the increased competition which Australia has faced in that market since the abolition of the system of bulk purchases (whereby the United Kingdom bought guaranteed quantities of food products at fixed prices from 1940 to mid-1954) and the return of trade in foodstuffs to private hands. Moreover, under the impetus of guaranteed prices for domestic produce British agricultural output has expanded substantially and consequently its dependence on foreign supplies of food has diminished relatively as compared with pre-war. Nevertheless, even in a shrinking market, Australia’s relative loss has been much greater than that of the other suppliers. For instance, while wheat imports into the United Kingdom from Australia increased from about 500,000 to 606,000 tons between 1955 and 1956, the corresponding increase in wheat coming from Canada was from 2,254,000 to 2,637,000 tons and in that from the United States was from 473,000 tons to 943,000 tons. Similarly, in respect of butter, while the increase in the imports into the United Kingdom from Australia was only from 73,200 tons to 75,750 tons, the relative increases in respect of New Zealand and Denmark were much larger. Moreover, while most of the exporters of meat to the United Kingdom recorded substantial gains between 1955 and 1956, Australia suffered a serious setback with the total meat exports to the United Kingdom declining from 238,000 tons in 1955 to 191,100 tons in 1956. Against the background of these developments the terms of the recent agreement drawn up between the United Kingdom and Australia in November 1956 which will replace the Ottawa Agreement of 1932 and be in operation initially for a period of five years, assume a great significance. Though the principle of preferential tariffs by both governments is preserved, the two governments have agreed to consult together on any important issue in the field of agricultural and trade policy. Moreover, they have specifically agreed that if in any year imports of Australian wheat and flour (together) into the United Kingdom should fall short of 750,000 tons (wheat equivalent) or such smaller quantity as may be offered by the Australian Wheat Board on commercial terms they will be ready to consult together, at the request of either. It is, therefore, expected that there might be some revival in Australian exports to the United Kingdom. Exports to Japan increased from $165 million in 1955 to $237 million in 1956 mostly on account of wool shipments, whereas sugar exports to that destination was considerably below the 1955 level. The share of Japan in the total value of exports rose from 9 per cent in 1955 to 13 per cent in 1956. While exports to Continental Western Europe rose from $385 to $449 million (France being the single largest customer), those to the United States increased slightly from $125 to $135 million.
The sharp decline in the value of imports between 1955 and 1956 (by about $220 million or 11 per cent) affected textiles and metal manufactures most. Imports of textiles and apparel fell from $278 million in 1955 to $217 million in 1956, while the decline in metals and their manufactures was from $436 to $346 million. Total imports of machinery rose in value from $309 to $321 million and in relative importance from 16 to 19 per cent. Petroleum imports also increased slightly from $204 to $208 million, though more crude oil was imported and less of petroleum products reflecting the growth in domestic refining capacity. Though the fall in the total value of imports affected all the major suppliers, it was more severe in respect of imports from the United Kingdom which declined from $854 to $730 million and in relative importance from 44 to 43 per cent. Imports from the United States fell from $230 to $219 million, those from Japan declined from $55 to $35 million. There was a slight decline in respect of Continental Western Europe, though this area maintained its share at 14 per cent of the total imports.

The value of New Zealand's exports ($770 million) as well as imports ($729 million) reached a record level during 1956. Although import values (f.o.b.) were only $26 million, or 4 per cent larger than in 1955, the export earnings expanded much more, i.e. by $46 million, or 6 per cent. The balance of trade yielded a surplus of $41 million in 1956 which was nearly double the 1955 level.

The export earnings from all the major commodities recorded gains during 1956 as compared with 1955. Wool receipts rose from $262 to $276 million and the increase in earnings from the shipments of meat was from $165 to $197 million. Butter exports rose slightly from $133 to $135 million, whereas exports of cheese expanded from $49 to $59 million. While the increase in wool proceeds was mainly the result of a rise in price, that in respect of the others was accounted for by an appreciable rise in their export volume.

The major change in the pattern of imports during 1956 was the replacement of textiles by metals and manufactures as the largest single category; the former declined from $64 million in 1955 (first eight months only) to $56 million in the corresponding period of 1956, and the latter increased from $63 million to $65 million. While imports of machinery (other than electrical) rose slightly from $51 to $53 million, that of transport equipment fell from $53 to $48 million and that of chemicals was maintained at $28 million, during this period. The imports of fuels increased from $31 to $34 million. On the other hand, there was a slight fall in the imports of electrical equipment from $28 to $26 million.

While imports (f.o.b.) from the United Kingdom declined from $285 to $265 million between the first three quarters of 1955 and the corresponding period of 1956, exports to that destination rose from $358 to $388 million. Exports to the United States expanded from $33 to $49 million whereas imports from that source were maintained at $36 million. Imports from Continental Western Europe were also maintained at $36 million during this period. Exports to the USSR increased from $4 to $6 million.
During 1956, the value of India's exports ($1,256 million) was $20 million, or 1.6 per cent, below the level of the preceding year, whereas import values ($1,698 million) were 25 per cent higher. As a result the trade gap widened from $87 million in 1955 to a record figure of $442 million in 1956. The deficit with Continental Western Europe increased from $150 to $250 million, whereas the small trade surplus vis-à-vis the United Kingdom in 1955 gave way to an adverse balance in 1956 (about $50 million) and the deficits with the United States (about $20 million) and Japan (£40 million) also showed some increase.

The maintenance of export proceeds in 1956 close to the 1955 level was mainly on account of a substantial increase in the earnings from tea exports which rose from $237 to $295 million and raised the relative importance of that commodity in total export proceeds from 19 to 23 per cent. The volume of tea exports expanded from 165,000 tons in 1955 to 234,000 tons in 1956 (or by 42 per cent) and set up a new record in the history of Indian tea, despite a slight decline in tea production on account of voluntary restrictions on plucking which were imposed during 1956 by producers' associations. The increase in tea exports in 1956 was shared by all the principal markets - the United Kingdom increased her import volume by 48 per cent, the United States by 20 per cent, Canada by 39 per cent, Egypt by 67 per cent, and Australia by 54 per cent. Moreover, the USSR purchased substantial quantities of tea from India whereas its purchases in 1955 were almost negligible. Exports of jute manufactures fell from $262 to $246 million, while cotton textiles also recorded a fall from $135 to $124 million. The reduction in proceeds from cotton textiles was wholly on account of a fall in their volume - from 859 to 786 million yards. However, among mill-made cotton piece goods, the fall was concentrated on white and coloured piece goods since the shipments of grey cotton piece goods were well maintained at about 400 million yards. Moreover, most of the fall in cotton textile exports was accounted for by a reduction in respect of shipments to Indonesia and British West Africa. The exports of handloom cloth (about 60 million yards in 1956) were somewhat above the 1955 level. The share of cotton textiles in the total value of exports fell from 11 to 10 per cent and that of jute manufactures also declined from 21 to 20 per cent. Among other export items, raw cotton, hides and skins and vegetable oils and oil seeds showed some decline while raw wool, metallic ores (iron as well as manganese) and tobacco recorded some increase. The expansion in the sales of iron and manganese ores was accounted for by series of contracts entered into by the State Trading Corporation with Japan, the United States, Italy and a number of Eastern European countries.

Although there was a moderate increase in imports of raw materials (mainly raw cotton and raw jute), food grains and consumer goods, the greater part of the increase in the total value of imports was accounted for by iron and steel and their manufactures, non-ferrous metals, and machinery of all kinds reflecting the increasing tempo of industrial activity with the inauguration of the Second Five Year Plan in April 1956 which lays particular stress on industrialization and the establishment of basic heavy industries. Imports of iron and steel rose from $107 to $248 million, non-ferrous metals (chiefly copper) from $52 to $68 million, and machinery of all kinds from $230 to $310 million. Among machinery imports, most notable increases were
recorded by sugar manufacturing and refining machinery, textile machinery and railway rolling stock. Imports of developmental goods during 1956 far exceeded the imports earmarked for the first year of the Plan and were not accompanied by any significant increase in foreign investments (in contrast with some Latin American countries where a marked expansion in foreign investment facilitated the growth of imports of capital goods); thus, this situation affected the foreign exchange position adversely. The total imports (f.o.b.) of machinery and transport equipment from industrial sources increased from $293 to $410 (or 40 per cent) between the first three quarters of 1955 and 1956 - imports from the United Kingdom rising from $127 to $180 million, from Continental Western Europe ($87 to $126 million), the United States ($50 to $68 million) and Japan ($19 to $24 million). The total imports (f.o.b.) of semi-manufactures (excluding chemicals but including metals and their manufactures) and consumer goods from the industrial sources increased from $202 to $330 million (or 64 per cent) - imports from Continental Western Europe rising from $73 to $139 million, from the United Kingdom ($65 to $104 million), from Japan ($37 to $48 million) and the United States ($22 to $33 million). Among other import items, raw jute rose from $22 to $28 million and raw cotton from $112 to $118 million while there was also some increase in petroleum, vehicles, paper, artificial silk yarn, chemicals, drugs and medicines. There was also a considerable increase in imports of food grains during 1956 (mainly for the purpose of building stocks) from the United States under the three-year agreement entered into by the two countries in August 1956 for the sale of wheat (3 million tons) and rice (200,000 tons).

The geographical pattern of India's trade underwent only slight modifications in 1956 as compared with 1955. The share of exports to the United Kingdom in the total value of exports rose from 28 to 31 per cent while imports from that source increased in relative importance from 25 to 26 per cent. While the share of exports to Continental Western Europe in the total export earnings declined from 11 to 9 per cent, that in imports increased from 21 to 23 per cent. Imports from the United States fell in relative importance from 14 to 12 per cent while exports to that destination were maintained at 15 per cent. The share of Japan in exports rose from 4 to 5 per cent and in imports from 5 to 6 per cent. There was a marked expansion in commercial exchanges with the USSR and Eastern Europe - exports rising from $9 to $30 million and imports from $17 to $44 million, although the total share of these countries amounted to only 3 per cent of the total value of the foreign trade of India in 1956. Part of the growth in trade with Eastern Europe is accounted for by the fulfilment of a series of contracts entered into by the State Trading Corporation (on behalf of India) in regard to the exports of iron and manganese ore, coffee, and leather goods and imports of cement and chemicals. However, most of the increase in trade with the USSR and Eastern Europe resulted from a rise in exports of tea, wool, hides and skins, jute manufactures and in imports of iron and steel and machinery.
There was a marked deterioration in Pakistan's trade position during 1956. The substantial export surplus ($111 million) which the balance of trade had yielded in 1955 was replaced by a deficit amounting to $12 million. The adverse swing in the trade position was caused not only by a decline in export proceeds from $401 to $339 million (or 15 per cent) but was also influenced by a sharp increase in imports (c.i.f.) from $290 to $351 million (or 21 per cent) as a result of heavy imports of food grains.

The value of raw jute and raw cotton exports was lower than in 1955 - the former fell from $179 to $158 million in 1956 and the latter from $108 to $77 million. While the fall in the value of raw cotton exports (about 29 per cent) was attributable both to a sharp contraction in their volume (from 165,000 to 128,000 tons, or 23 per cent) and a slight decline in their unit value (expressed in dollars), the loss in export earnings from raw jute (12 per cent) was solely on account of a decline in the export volume of that commodity. The reduction in export prices following the devaluation of Pakistani currency in July 1955 stimulated external demand for cotton and jute and resulted in a substantial rise in the volume of exports during the last quarter of 1955 and the first quarter of 1956. By April 1956 most of the stocks and current crop were disposed of and for the rest of the year there was a decline in export availabilities, especially of cotton as a combined result of a short fall in output and an appreciable increase in domestic consumption. The share of cotton in the total export proceeds declined from 27 to 23 per cent from 1955 to 1956 while that of raw jute rose from 45 to 47 per cent, and there was a further lessening of the concentration on these two commodities in the composition of Pakistan's exports (70 per cent in 1956 as compared with 72 and 75 per cent in the two earlier years). The corresponding gain in relative importance affected such other commodities as cotton and jute manufactures, tea and wool. The earnings from cotton and jute manufactures were at a record level in 1956. Exports of cotton twist and yarn expanded from 4 million lbs. to 26 million lbs. and in value from $2 to about $10 million and Hong Kong accounted for about 70 per cent of the total shipment of this item in 1956. Exports of cotton piece goods also recorded significant gains from $41,000 in 1955 to nearly $3 million in 1956 and in volume the increase being from 89,000 yards to 20 million yards and the main customers being the United Kingdom and Kenya. Exports of jute manufactures also rose from $15 to $22 million. Tea exports expanded from 5,000 to 8,000 tons from 1955 to 1956 and almost all of it continued to be shipped to the United Kingdom.

The significant increase in import values from 1955 to 1956 resulted from a substantial rise in imports on government account (from $48 to $144 million) which is attributable to a larger outlay on imports of food grains, entailed by an acute food shortage as a consequence of the disastrous floods during 1956. While Pakistan's imports of rice and wheat in 1955 were negligible, she imported about 455,000 tons of rice and 40,000 tons of wheat during 1956 and a large portion of these imports came from the United States. In the first eleven months of 1956 the United States alone shipped about 201,000 tons of rice valued at $7 million and $12 million worth of wheat to Pakistan. No complete commodity breakdown is available in respect of other imports on government account.
Imports on private account, on the other hand, declined from $242 to $206 million in spite of some relaxation of import restrictions in the first half of 1956, which raised the import ceilings for certain kinds of manufactured consumer goods in domestic currency. The ensuing rise in imports (from Rupees 934 to 982 million) was not large enough to affect the import figures expressed in terms of dollars because of the fall in exchange rate as a result of the currency devaluation.

Industrial production continued to rise significantly during 1956 and high priority was accorded to imports of machinery (and spare parts) and essential raw materials. Nearly 80 per cent of the private imports during 1956 (first ten months), consisted of manufactured goods and the rest being mainly accounted for by fuels and raw materials. The share of machinery in total private imports stood at 18 per cent, that of textiles and iron and steel manufactures being 13 per cent and 12 per cent respectively. Imports (f.o.b.) of machinery and transport equipment from all industrial sources declined from $88 to $74 million between the first three quarters of 1955 and the corresponding period of 1956. However, the share of the United States in these imports rose from 17 to 32 per cent, whereas that of the United Kingdom fell from 45 to 36 per cent and that of Western Germany and Japan too declined significantly. Imports of other manufactured goods (consumer goods and semi-manufactures) from industrial sources rose from $83 to $90 million and the relative importance of Continental Western Europe in these imports rose from 29 to 42 per cent whereas the share of Japan fell from 26 to 11 per cent and those of the United Kingdom and the United States were maintained at about 35 per cent and 10 per cent, respectively.

The major changes in the direction of trade during 1956 relate mainly to modifications in the relative importance of different sources of imports, since the geographical pattern of exports was not altered significantly. The share of the United States in total import values rose from 12 per cent in 1955 to about 28 per cent in 1956. There was a significant decline in the relative importance of Japan in imports from 14 to 5 per cent whereas the United Kingdom and the Continental Western Europe also lost some ground. As regards exports, the share of the United States and Continental Western Europe rose from 7 to 9 per cent and 26 to 28 per cent, respectively, while that of the United Kingdom was maintained at 15 per cent. While exports to India fell in relative importance from 13 to 11 per cent between 1955 and 1956, those to Japan increased from 12 to 13 per cent.

During 1956, Ceylon's trade position was adversely affected as a result of a substantial decline in the export proceeds ($364 million as compared with $407 million in 1955) and a simultaneous increase in import expenditures ($373 million, or 12 per cent above the 1955 level). Consequently, the export surplus of $100 million in 1955 was significantly reduced to $21 million in 1956.
The year 1956 records divergent trends for the three principal export items, namely, tea, rubber and coconut products. As regards the first of these, decreases were registered both in the export price (9 per cent) and the volume of shipments (4 per cent) between 1955 and 1956 and the total earnings from tea exports declined from $251 million to $219 million. While tea exports to the United Kingdom increased from 58,000 tons to 64,000 tons, those to the other destinations declined from 108,000 tons to 98,000 tons. The share of tea in the total value of exports fell from 62 per cent in 1955 to 60 per cent in 1956. Earnings from rubber fell from $74 million to $62 million on account of a decline both in their volume (from 101,000 tons to about 87,000 tons, or 13 per cent) and the average export price (about 4 per cent). Under the five-year rubber-rice agreement signed in 1953, mainland China has undertaken to buy annually 50,000 tons of sheet rubber (almost one half of Ceylon's annual output) in exchange for 270,000 tons of rice. During the first three years of the operation of this agreement, rubber prices were fixed annually by negotiation but since October 1955 the prices for rubber were put on a sliding scale basis whereby mainland China agreed to pay a premium over the Singapore average market price with a floor of 27 pence a lb. This arrangement offers Ceylon a price for its rubber which would consistently be higher than the world price for the duration of the remainder of the contract period. Between 1955 and 1956, while the world price of rubber fell by 12 per cent, the average export price of rubber from Ceylon registered only a decline of about 4 per cent. Earnings from coconut products ($45 million) were maintained at a level close to that of the preceding year. The decline in the volume of coconut oil exports was nearly offset by some increase in respect of copra and desiccated coconuts while the price of coconut products on the whole remained firm. The share of rubber in the total export proceeds fell from 18 to 17 per cent from 1955 to 1956, whereas that of coconut products rose from 11 to 12 per cent.

The expansion in import outlays resulted from a rise in the value of machinery (including electrical), transport equipment and base metals (mainly iron and steel). During January - October 1956, machinery imports ($18 million) were 22 per cent above the level of the corresponding period of 1955, while transport equipment ($15 million) and metals ($12 million) were 9 and 69 per cent, respectively, higher. Despite marked progress in the domestic food output (under the impetus of guaranteed prices and other incentives to rice cultivators), the outlay on food imports continued to be heavy. Imports of rice and sugar accounted for about 15 and 5 per cent, respectively, of the total value of imports in 1956 as in 1955 whereas wheat imports declined in relative importance from 6 to 4 per cent. The share of textiles in the total imports rose from 9 to 10 per cent whereas fuels declined in relative importance from 9 to 7 per cent.
The major changes in the direction of Ceylon's trade during 1956 related to the increase in the share of mainland China in both exports (10 per cent as compared with 6 per cent in 1955) and imports (8 per cent as against 5 per cent in 1955). Another important feature of the geographical pattern of trade was the improvement in the relative position of the United Kingdom - in exports from 27 to 30 per cent and in imports from 21 to 22 per cent. There was a sharp decline in exports to Australia and Egypt on account of reductions in tea exports. Imports fell from India, but rose from Japan and Continental Western Europe.

In 1956, the exports of the Union of South Africa (excluding all gold) rose substantially more in value than imports (f.o.b.) - by 12 and 3 per cent, respectively - as compared with 1955. As a result, the adverse trade balance fell from $294 million to $210 million. But the import surplus was in both 1955 and 1956 far exceeded by gold shipments (which in the case of South Africa are generally regarded as merchandise export transactions) valued at $500 million and $540 million, thus yielding surpluses of about $205 million and $330 million in the two years respectively.

The tendency for gold exports to exceed the import surplus on other commodities has been continuous since 1952. But whereas, in that year, 64 per cent of the value of gold shipments was needed to cover the adverse balance on other trade, 39 per cent of the value of gold exports was sufficient to cover the trade deficit in 1956. This development was due partly to increased sales of gold (which rose from $445 million in 1952 to $541 million in 1956), but mainly to the fall in the import surplus (which declined from $286 million to $210 million) as a result mainly of a 35 per cent increase in exports, and of a slighter increase in imports (16 per cent).

This development may well become of even greater importance to the South African economy through the peculiar circumstance that uranium ore is, at least in some cases, found in gold mines, thus calling for no additional costs on account of mining proper (though the extraction of uranium oxide does of course give rise to specific outlays). To the extent that there exists a situation of joint costs in gold and uranium production, the former may become more profitable and thus expand, while the latter may become more competitive in comparison with supplies from other sources.

Since the beginning of uranium production in 1952, the exports of this metal, which are under long term contracts exclusively directed to the United States and the United Kingdom, have risen considerably, reaching a value of $86 million in the first ten months of 1956 (as compared with $68 million in the corresponding period of 1955), and contributing in both periods as much as all other non-ferrous metals to the Union's export proceeds.
In these circumstances, the South African economy may well have reached the stage where the speed of its further economic development depends less heavily upon the inflow of foreign capital, to the reduction of which the slowing down of economic growth in 1955 and 1956 has been generally attributed. In addition to the favourable prospects for the production and exports of uranium, three other contributing factors may be mentioned. In the first place, domestic savings have reached a high level and are increasing rapidly. Secondly, the exports of commodities other than gold and uranium are developing favourably and are becoming more diversified (and they should continue to do so as a result of improvement in rail transport now under study) and finally, the non-discriminatory application of import controls, coupled with their gradual relaxation, permits the most effective use of available foreign exchange.

The exports of primary products developed satisfactorily during 1956. Wool, apart from gold still the largest single export commodity, was produced in record quantity and the volume of shipments rose, but in spite of higher value its share in total export earnings fell from 16 per cent in January - October 1955 to 15 per cent in the corresponding period of 1956. Exports of fruit (including preserved) and maize were satisfactory and gained some ground, while sugar exports fell in absolute quantity and value. The value of diamonds shipped was well maintained. However, the exports of manufactures to African markets have become of major importance. In 1956, these exports have developed favourably - mainly in respect of machinery, iron and steel and miscellaneous metal products, whereas the exports of textiles, transport equipment (mainly motor vehicles of foreign make assembled in South Africa, though manufacture of the first domestic motor car was scheduled to start early in 1957) and other manufactured goods were stationary or even declined.

The imports of food fell considerably, as a result of the continuing increase in agricultural production, the largest fall being in respect of wheat, while tea and coffee imports were larger in January - October 1956 than in the corresponding period of 1955. Imports of fuel (mainly petroleum products) and various raw materials (especially copper and other non-ferrous metals) rose, but significantly iron and steel (of which domestic production is growing and now covers 82 per cent of requirements) was imported in smaller quantities. The imports of manufactures were on the whole unchanged in value, since a fall in textiles (still accounting for 17 per cent of the total) was made up by larger imports, especially of metal products (about 33 per cent of total value of imports).

The direction of trade showed some changes during 1956. Exports rose especially to the United States, the United Kingdom, France, Germany and Japan (in that order) while a large rise in shipments to the Federation of Rhodesia and Nyasaland was mainly due to re-exports. Imports fell sharply from the United Kingdom and India, but rose from Ceylon, Pakistan, France, Germany, the Netherlands and Japan, whereas imports from the United States remained unchanged in value.
There was a slight deterioration in Burma's trade position in 1956 owing to the fact that while export proceeds ($230 million) remained almost unchanged as compared with 1955, the value of imports (c.i.f.,) rose from $180 to $197 million or by 10 per cent. As a result, the trade surplus diminished from $47 million to $31 million.

Rice continues to be the mainstay of Burma's export trade and earnings from that commodity accounted for nearly 80 per cent of the total export receipts in 1956 as in 1955. While the average price per ton of rice exported was somewhat below the level of 1955, the volume of rice exports rose from 1.6 million tons to 1.9 million tons in 1956, the highest total recorded since the war although well below the prewar level of shipments (3 to 3.5 million tons). Exports of timber and non-ferrous metals also improved slightly as a result of some recovery in the forest and mineral production.

The most outstanding feature of Burma's trade in 1956 was the emergence of the USSR, Eastern Europe and mainland China as the most important destinations for its rice exports. This group of countries accounted for about 38-45 per cent of all rice shipments in 1956 as compared with 22 per cent in 1955 and 3 per cent in 1954. Exports to India, Japan, Indonesia and Ceylon were somewhat below the level of the preceding year. However, Burma was not able to derive full advantage from the extraordinary rise in demand which appeared towards the middle of 1956 emanating chiefly from Pakistan, Indonesia and India since her export availabilities were already committed under the agreements negotiated earlier. These three Asian countries imported considerable quantities of rice from other sources, chiefly the United States. Moreover, Burma experienced some difficulty as regards the range of goods she wished to import in return for her rice exports to Eastern European countries. In this connexion, it is significant to note that "in early 1956 one-fourth of Burma's foreign exchange holdings, or $25 million, were not cash but credits in the central banks of the Soviet Union and East European countries. The credits are available for purchase of goods and services agreed upon by Burma and the country concerned, and Burma is at a marked disadvantage in negotiations to determine the choice of goods and price to be paid." It was this rigidity of the barter agreements, especially those concluded with the countries having a planned economy, which prevents Burma from enjoying the benefits of competition and from shifting when necessary from one source of supply to another that led the Government of Burma recently to reconsider its attitude towards the long-term barter commitments.

The increase in imports resulted from some expansion in the imports of chemicals, machinery, textiles and transport equipment while imports of foodstuffs and base metals and their manufactures fell sharply. Although certain import controls affecting essential consumer goods were relaxed in November 1956, it was too late in the year to affect annual import totals of miscellaneous manufactured goods. Reparation-financed goods were received from Japan.

in increasing quantities while deliveries of cotton textiles from United States surplus cotton triangular agreements with the United Kingdom, Japan and India under P.L.480 began to arrive towards the end of 1956. Moreover, the scarcity of consumer goods which Burma has been experiencing in recent years is likely to be alleviated in 1957 on account of recent improvements in the method of handling imports. The recent establishment of five import corporations which were set up as joint ventures between the Government and private importers (dealing in industrial materials and equipment, essential foodstuffs, building materials, textiles, and tyres and tubes) is expected to result in making the distribution channels more efficient.

While the share of the United Kingdom fell sharply in exports from 9 per cent in 1955 to 5 per cent in 1956, imports from that source were maintained in relative importance at 25 per cent. Private imports from Japan and India showed some decline, while there was a marked increase in respect of those coming from mainland China and Eastern Europe.

Following an increase in exports by 6 per cent (from $475 million to $502 million) and a much sharper rise in imports by 15 per cent (from $388 million to $446 million, f.o.b.) the trade surplus of the Federation of Rhodesia and Nyasaland declined sharply from $87 million to $56 million.

All the major export commodities, copper, tobacco and asbestos, shared in the rising value of exports. In 1956, the volume of copper shipments (about half consisting of blister and half of electrolytic copper) was somewhat larger, while the average value per ton was slightly lower than in 1955. The share of copper in total export proceeds fell from 65 per cent to 63½ per cent. Proceeds from tobacco and asbestos representing about 15 per cent and 4 per cent, respectively, of the total export proceeds in both 1955 and 1956 also increased mainly on account of volume. In the current year and perhaps for some years to come the prospects for a further substantial increase in the Federation's export earnings would seem to depend mainly on price movements, since it is unlikely that the increase in the volume of its main export commodities can continue at the same rate as in 1956. According to official estimates, the new tobacco crop will be substantially smaller. On the other hand, transport problems are hampering the growth of output in respect of metals and coal, while the shortage of electric power is expected to be overcome before 1960 when the completion of the great Kariba dam project is anticipated.

Nearly three-quarters of the rise in the value of imports during 1956 was due to metals and metal manufactures, the largest category, which in 1956 accounted for about one half of the total value of imports. The imports of textiles, non-metallic mineral manufactures, paints and other miscellaneous manufactures recorded a moderate increase, while the value of chemicals and food imports was unchanged.
The relative importance of the United Kingdom, the largest customer for the Federation's products and its most important supplier, further increased in 1956 when it received 59 per cent of total exports and provided 41 per cent of total imports. Continental Western Europe also became a more important trading partner. On the export side, Belgium, Italy and Germany recorded the largest increases, while the rise in imports was particularly sharp from Germany, Sweden and France. The most notable change in the direction of the Federation's trade concerned the United States, exports to that country declined by 40 per cent (mainly on account of copper) whereas imports from that country rose sharply. As a result, the Federation's trade surplus with the United States fell from $44 million in 1955 to about $11 million in 1956.