At the Seventh Session the CONTRACTING PARTIES approved a proposal to the effect that the secretariat should publish a report on the activities of the CONTRACTING PARTIES and developments in international trade. The draft of a report has now been prepared and copies are distributed herewith.

It is desirable that publication should not be delayed beyond mid-June. Therefore, it will be appreciated if governments which have comments to offer concerning the contents will submit them not later than 10 June.

The Table of Contents indicates that the report will include an Appendix. This Appendix will describe in detail the sources used and the methods applied in the preparation of Sections A and B of Part I.
INTERNATIONAL TRADE, 1952

THE CONTRACTING PARTIES
TO THE
GENERAL AGREEMENT ON TARIFFS AND TRADE
GENEVA, JUNE 1953
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Appendix
FOREWORD

Since 1949 the secretariat to the General Agreement on Tariffs and Trade has issued three progress reports, namely The Attack on Trade Barriers, Liberating World Trade and GATT in Action. The present report differs from its predecessors in that it presents the activities of the CONTRACTING PARTIES - that is, the governments adhering to the Agreement acting jointly - against a background of the main developments in international trade.

This report does not contain all that we would like since the information available to the secretariat is far from sufficient for a thorough survey of trade and trade controls. Future reports can be more comprehensive if governments can arrange to furnish more information. In preparing this report invaluable help has been given by the Executive Secretary of the Economic Commission for Europe who provided access to the data available in his Research Department and seconded a member of his staff to supervise the statistical analysis which appears in Part I.

There are other inter-governmental organizations which undertake studies of trade problems and publish economic analyses which necessarily embrace world commerce as well as other aspects of international relations. This report does not duplicate their work - on the contrary, their work has been used as a foundation upon which to build. Part I presents an analysis of the changes in the structure and pattern of world trade in 1952 and other recent years. Part II reviews the principal recent changes in governmental action affecting the movement of trade. And Part III describes the activities of the CONTRACTING PARTIES since the beginning of 1952 and indicates some of the problems that lie ahead. Our aim has been to produce a short, informative document easily read by the layman as well as by the expert - by the businessman and by all those interested, either professionally or otherwise, in international trade.

This report has been prepared by the secretariat at the request of the CONTRACTING PARTIES, but the secretariat is alone responsible for the expressions of opinion that will be found in it.

Eric Wyndham White
Executive Secretary.

Geneva, June 1952.
PART I

RECENT DEVELOPMENTS IN THE STRUCTURE AND PATTERN
OF INTERNATIONAL TRADE

SECTION A

GENERAL TRENDS IN INTERNATIONAL TRADE IN THE POST-WAR PERIOD

The development of world production and international trade

When plans were discussed towards the end of the Second World War to establish international machinery to restore a system of multilateral trade and payments, it was generally expected that, after a transitional period during which the war-time maladjustments would gradually be eliminated, international trade would revert to a situation similar to that of the pre-war period, when no extraordinary measures of financial assistance were necessary to maintain the level of trade. Before considering developments during the year 1952 in the trade of various groups of commodities as well as in the foreign trade position of the various countries and areas, it might be of interest to ascertain if and to what extent international trade has reverted to its pre-war structure or is settling down to another pattern.

International trade since the War has made a spectacular recovery. By 1948 the volume of the exchange of goods had nearly regained the level of the immediate pre-war years and already in 1949 it reached the all-time record of 1929. Furthermore, the rate of growth during the period 1946/1951 - an increase by about two-thirds in five years - had never been witnessed before. As a result, the volume of international trade in 1951 established a new record exceeding the 1929 peak by about one-fourth, and, according to provisional data, this level has been almost maintained in 1952.

This satisfactory development which took place at a time when many governments maintained severe restrictions on imports and, to a lesser extent, on exports, would, it is true, have been less impressive if the flow of goods had not been stimulated by the extensive assistance granted by the United States of America to other countries in the form of economic aid (not to mention military aid) which amounted to a sum of about $35,000 million from 1945 to 1952, a figure which represents roughly one-tenth of the total value of international trade during that period.
Although the advances made by international trade as compared with the immediate post-war years are substantial, it should be pointed out that the picture is less favourable when it is seen in a longer perspective and that the share of world production that enters international trade now is much smaller than was the case in the 1920's.

Chart I shows the movement of world production and international trade during the pre-war period and after the war.²)

During the period 1925 to 1932, which covers both the upswing and the downswing of the cycle, the share of total output that entered international trade was nearly constant in spite of the fluctuations of world production, and was slightly under 30 per cent; whereas in the post-war years, that share dropped to about 20 per cent.

If the analysis is carried a step further and production and trade of primary products, on the one hand, and that of manufactures, on the other, are considered separately, marked differences are brought to light as is shown in the two following Charts II and III.²) Whereas the share of primary commodities (which include mine products as well as foodstuffs and other agricultural commodities) that entered international trade remained more or less constant during the pre-war period and has slightly fallen during the post-war period (from 30 per cent in 1929 to 26 per cent in 1951), the part of manufacturing output that was traded which had already fallen substantially after 1932 has dropped even more after the war (from 26 per cent in 1929 to about 16 per cent in 1951).

In view of the lesser flexibility in both the supply and the demand for food and raw materials as compared with manufactured goods, on the one hand, and, on the other, of the exceptionally high level of manufacturing production since the war, these results are not unexpected. However, it should be noted that the share of manufacturing production entering international trade has declined both during the recovery of 1933/1937 and during the post-war period. In both these periods, severe restrictions on the flow of goods were introduced or maintained by many governments. However, it would seem that the trend towards a greater measure of self-sufficiency is not only a reflection of developments in the field of production such as a certain degree of success in rearing infant industries to competitive manhood, or the growing importance of synthetic substitutes, but also the outcome of measures taken by governments in the field of commercial policy.

²) For an explanation of the sources used and methods followed in preparing the data for these charts and for the data themselves, see Appendix.
Note: For sources and methods see Appendix.
Note: For sources and methods see Appendix.
Note: For sources and methods see Appendix.
Nobody can foresee what would happen to the various branches of manufacturing activity that have been developed in many countries, if the oblique protection afforded by exchange and trade controls and bilateralism were to be reduced or abolished. Liberalization of trade and payments under the European Payments Union has not yet been in operation long enough or with sufficient continuity to produce any conclusive evidence on this point. The removal of barriers to trade in coal and steel products within the European Coal and Steel Community, and the effects of such measures on the structure of those important basic industries, as well as on the coal and steel consuming industries, will give some indication of the extent to which international trade and the international division of labour could be fostered by a better co-ordination of national commercial policies.

The "terms of trade" between primary products and manufactures

Another factor which has had an important influence on the structure of international trade after the War is the fact that the price level of primary commodities has trebled, while that of manufactures has only doubled since 1938. This substantial change in what might be called the "terms of trade between primary products and manufactures" affected, of course, the composition of international trade as well as the shares of various countries and areas in that trade. If values are considered, the share of manufactures and that of primary products in international trade are now about the same as before the War. Exports of manufactured goods accounted for about 43 per cent of World exports in 1951, i.e. only of one half per cent more than in 1938. As the "terms of trade" have changed substantially, this means, of course, that manufactures now account for a much larger share of the volume of international trade; this share has increased from 43 per cent in 1938 to something like 53 per cent in 1951. In other words, international trade now consists to a much larger extent than before the War of manufactures.

Such a marked discrepancy between the price levels of primary products and of manufactures, if continued, would obviously entail profound adjustments in the economy of many countries. It is therefore a matter of great importance to know whether the changes which have taken place in the structure of world prices are to be considered as temporary or of a more permanent nature. A rough comparison has been made between the "terms of trade" as defined above, and the ratio between the volume of international trade in primary products and that of trade in manufactures, on the one hand, and the ratio of world production of primary commodities and that of manufactures, on the other hand. The results of these comparisons are shown in Charts IV and V.

During the pre-war period, the relationship between the relative volume of trade in primary commodities and manufactures and the relative price of these goods appears to have been very loose, whereas there seemed to be a certain correlation between the "terms of trade" and the production figures.
It is significant to note that, during the post-war period, the picture is not substantially different. Indeed, Chart V would suggest that the post-war ratios are a natural continuation of the trend of the pre-war period.

It hardly needs to be emphasized that too much should not be read into a very rough comparison of this kind, and that a more refined analysis of the problem would be necessary to draw any definite conclusion. However, the charts, in spite of their imperfections, would seem to indicate that the "terms of trade" between primary products and manufactures are more influenced by production than by trade volumes. If this assumption proves correct, there would seem no reason for expecting the deterioration of the terms of trade of manufactures to merely a temporary phenomenon since the tendency towards greater industrialization in many parts of the world will continue to accentuate the divergent trends of the two sectors of production.

It may, of course, be difficult to visualise the continuance of a situation in which the prices of manufactures remain relatively to pre-war at a much lower level than those of primary products in view of the important part played by the prices of raw materials and of foodstuffs (through their impact on wages) in the cost structure of manufacturing production, unless the manufacturing countries have succeeded in offsetting this worsening of their terms of trade by substantial advances of manufacturing productivity. In these circumstances it is hardly surprising that those industrial countries which have made the greatest progress in improving their productivity have secured a larger share of world markets for manufactures, at the expense of their less efficient competitors.

Trade between industrial and primary producing areas

The changes which have taken place in the "terms of trade" between primary products and manufactures have, of course, influenced the structure of trade between industrial and primary producing areas, as the trade between these two groups represents predominantly an exchange of primary products against manufactures. It is therefore only natural to find that since the share of manufactures in the total value of trade has been practically the same in 1938 and 1951, the share of the main industrial areas as a whole in the value of international trade should be about the same in those two years. Taking together the dollar area, continental Western Europe and the European members of the sterling area, a group which accounts for by far the largest part of the world's industrial production, their combined exports (as well as their combined imports) accounted for just under two-thirds of the total value of international trade in 1951 as well as in 1938.

But this constancy is also apparent when the total export trade of that industrial group is broken down into trade among the areas composing it and trade with other parts of the world. The value of trade among the countries
CHART IV: RELATIVE LEVELS OF PRICES AND TRADE, 1925-38 AND 1948-51:
PRIMARY PRODUCTS/MANUFACTURES
(1929 = 100)

Note: For sources and methods see Appendix.
Note: For sources and methods see Appendix.
of the industrial group was 41-42 per cent of total world exports by value both in 1938 and in 1951, and their exports to the other parts of the world accounted for 23-24 per cent in both years. The same stability is also noticeable in the percentage of international trade which consists of exchanges within the rest of the world, mainly the primary producing areas; in 1938, as in 1951, this trade accounted for roughly one-eighth of the world total, while the exports from the primary producers to the industrial group represented 23-24 per cent of world exports in 1938 and in 1951.

Taken together, these facts seem to indicate that the general structure of trade shows a considerable degree of stability despite any influence which government controls and restrictions might have had. If this striking constancy in the main currents of trade is not purely fortuitous, it would suggest that an expansion of world trade in real terms could best be obtained by an increase in the exports of primary producing countries, which would presuppose an increase in the output of primary commodities in those countries. Trade statistics indicate that if the primary producing countries are considered as a group, the value of their imports from the industrial countries tends in any given year to be equal to the value of their exports to those countries. Any increase in the value of the export trade of primary producers taken as a whole to the industrial area would therefore be followed by a corresponding increase in the value of their imports from the industrial area. Moreover, if the share of primary products in the value of international trade is more or less constant, similar increases in the other sectors of trade (i.e., within the industrial and within the primary producing areas) would ensue. If no substantial increase in the production and exports of primary producing regions can be expected, the only sector of trade in which expansion could start with some chance of success would be in the trade within the industrial area, which represents nearly half of the value of world exports, and which may be more flexible than trade within the primary producing area. Such an increase in the trade within the industrial area would involve either a substantial relaxation of barriers to trade in the various parts of that area, or increased earnings from invisible exports or, finally, an expansion of compensatory financing in the form of governmental assistance.

Pattern of trade between individual areas

As a result of the divergent trends in the prices of primary products and of manufactures, and of the unequal advance in productivity of the various industrial countries, substantial changes have taken place since the War in the relative importance of the foreign trade of the main areas. It has already been pointed out that the relative position of the industrial and the primary producing regions has remained stable, the industrial regions accounting for about 65 per cent of the total value of both world import and export trade, whereas the rest of the world (consisting mainly of primary producing regions) accounted for about 35 per cent of those values. However, the stability in the relative position of the two main areas conceals significant shifts in each of them. In the industrial group, the dollar area has increased its
share in world exports and imports at the expense of the industrial countries of Western Europe, whereas, in the other group, the overseas sterling area, and non-dollar Latin America have increased their share of world exports and imports at the expense of the rest of the world. The advance is particularly significant in the case of the overseas sterling area.

As already indicated, the trade of the primary producing countries considered as a group was practically in balance both in 1938 and in 1951; and the regions composing the group had only minor surpluses of imports or exports. Thus, any trade disequilibrium which may have existed either in 1938 or in 1951, would be due overwhelmingly to the trade position of the areas composing the industrial group. The increase in the dollar area's share of world trade was matched by reductions in the share of the other industrial areas (continental Western Europe and the European sterling area). On the export side, the bulk of the reductions fell on continental Western Europe, while on the import side, the European members of the sterling area lost more heavily. As a result of these changes, the trade deficit of continental Western Europe rose slightly in 1951 as compared with 1938 from 1.6 per cent to 1.9 per cent of the value of world exports, while that of the European members of the sterling area was exactly halved, falling from 6.2 to 3.1 per cent of world trade. (As a result of this reduction of the deficit of its European members and of a slight increase in the surplus of its overseas members, the trade deficit of the sterling area as a whole, which represented 5.3 per cent of world exports in 1938, had been reduced to 1.8 per cent in 1951). Although the trade surplus of the dollar area has substantially increased in absolute terms since the War, it should be pointed out that it has declined from 6.7 per cent in 1938, to 5.2 per cent in 1951, as a percentage of world exports.

As the structure of post-war trade seems to have been influenced to a large extent by the divergent behaviour of primary products and manufactures, it may be of interest to examine to what extent the shifts that took place in the foreign trade of the industrial countries were dependent upon their relations amongst one another and upon their relations with the rest of the world, and to assess the part played in these shifts by trade in manufactures and in primary products, respectively.

The following table shows the trade balances of the main industrial areas sub-divided along the lines indicated.
### Trade Balances of the Main Industrial Areas in Their Trade with Each Other, and with Other Parts of the World

(Thousand million dollars)

<table>
<thead>
<tr>
<th></th>
<th>Trade among the industrial areas</th>
<th>Trade with other parts of the world</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1938</td>
<td>1951</td>
</tr>
<tr>
<td><strong>Dollar Area</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary products</td>
<td>+ 0.97</td>
<td>+ 3.07</td>
</tr>
<tr>
<td>Manufactures</td>
<td>+ 0.14</td>
<td>- 0.47</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>+ 1.11</td>
<td>+ 2.60</td>
</tr>
<tr>
<td><strong>Continental Western Europe</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary products</td>
<td>- 0.01</td>
<td>- 0.71</td>
</tr>
<tr>
<td>Manufactures</td>
<td>- 0.11</td>
<td>- 0.35</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>- 0.12</td>
<td>- 1.06</td>
</tr>
<tr>
<td><strong>European Sterling Area</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary products</td>
<td>- 0.96</td>
<td>- 2.37</td>
</tr>
<tr>
<td>Manufactures</td>
<td>- 0.03</td>
<td>+ 0.83</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>- 0.99</td>
<td>- 1.54</td>
</tr>
</tbody>
</table>

**Note:** For sources and methods, see Appendix.

The figures on trade in manufactures are based on a sample which includes roughly nine-tenths of the world total. Hence the balances for manufactures are somewhat underestimated. The balances for primary products which have been obtained by difference from the total trade balance are correspondingly overstated.

In the case of continental Western Europe, the import surplus before the War was comparatively small; its net export of manufactured goods to primary producing regions were nearly large enough to compensate for its import surplus in respect of foodstuffs and raw materials. An even smaller import surplus was registered in its trade with the other industrial areas and was almost entirely due to net imports of manufactures. After the War, the general pattern of trade with primary producing areas remained substantially the same. The significant increase in the adverse balance of continental Western Europe was due mainly to trade with other industrial areas, mainly the dollar area; it resulted not from an import surplus of manufactures as before the War but mainly from an import surplus of primary products.

Unlike the European continent, the European sterling area before the War had a substantial import surplus in its trade with other industrial regions, but this surplus was almost entirely due to net imports of primary products;
with the rest of the world, the import surplus was substantially less. After the War, the net position of that group with regard to the other industrial areas was not much altered, as a considerable export surplus of manufactures offset to a large extent the increase in the net imports of food and raw materials; as regards the other parts of the world, the surplus in the trade in manufactures increased to the same extent as the import surplus on account of primary products, leaving, however, an increased total deficit.

As regards the dollar area, it showed an export surplus in 1938 and in 1951, both in its trade with other industrial areas, and in its trade with other parts of the world. In its relations with the primary producing countries, the net surplus of its trade in manufactures has, in both years, been more than was necessary to offset its net imports of primary products from this region. On the other hand, in its trade with the European industrial countries, the export surplus is now due essentially to trade in primary products, whereas the trade in manufactures is nearly balanced; in 1938, the dollar area had a small surplus in its trade in manufacturing, while in 1951, it was a net importer of manufactured goods from Europe.

The various changes which have taken place in the structure and pattern of international trade since the War have directed attention to the trade surplus of the dollar area. While smaller in relation to world trade than before the War, this surplus raises more difficulties now than before, mainly because the deficit countries can no longer rely to the same extent on earnings from invisible exports which, before the War, played an important part in the balancing of their external payments. The surplus of the dollar area after the War is due to two main factors: a large export surplus of manufactures to primary producing areas, and an even larger export surplus of primary products to the European countries. The first phenomenon is no doubt largely due to the extraordinary success of American industry in raising productivity; the second phenomenon is mainly due to the inability of the other industrial regions to obtain supplies of some primary products from traditional sources outside the dollar area. The European industrial countries on the other hand have been losers on both counts; the deterioration in the terms of trade of manufactures has adversely affected their situation both vis-à-vis the dollar area and vis-à-vis the primary producing countries since they appear mainly to sell manufactured goods against primary products in both cases.

International trade is affected by too many abnormal factors to draw from the foregoing analysis any definite conclusions. But it would seem that the profound changes that have taken place in the network and composition of international trade after the War cannot be ascribed entirely to transitory disequilibria which are the legacy of the War, nor can they be met by purely financial adjustments alone. More fundamental factors may be at work, such as the physical production of the various types of commodities in the various parts of the world and the extent to which the output of these commodities is exported or retained for domestic consumption. More attention than hitherto may, therefore, have to be paid to these factors in endeavouring to overcome the imbalance which still characterized international trade at what was to have been the end of the transitional period after the War.
SECTION B

TRADE IN INDIVIDUAL COMMODITIES

Nearly three-fifths of the value of world exports in 1951 consisted of foodstuffs and raw materials. As has been shown in the preceding section, the relative shares in total trade of these primary products, on the one hand, and of manufactured goods, on the other, have not changed much since before the War. Within the primary products group, however, the share of foodstuffs appears to be somewhat smaller than prewar, thus continuing the declining tendency of the food share in international trade which prevailed in the 1930's. It should, however, be pointed out that, there being no sharp border line between primary products and manufactures, a comparison between prewar and postwar years, based as it has to be on different statistical sources, should be taken as indicative only. It is, however, obvious that within these bread categories, some important changes in value have taken place which are due both to movements in relative price levels and to changes in the actual quantities traded.

For similar reasons, it will not be feasible to compare, for each of the primary commodities separately, their share in world export value before and after the War. There are some estimates relating to the year 1938 made by the League of Nations,¹ which reveal that the twelve most important commodities in world exports in that year occupied about one-fourth of total value. Tentative estimates for 1951 show that this relation has been on the whole unaltered even if the order of importance has changed. Petroleum products and cereals have, however, remained the two largest items in both years with, together, about one-tenth of world export value. While the value of petroleum as a group is about the same, i.e. slightly over 5 per cent, a much smaller proportion of it now consists of refined products. The decrease in the value of trade in cereals from roughly 5 to 4 per cent since 1938 has occurred in spite of an increase in volume, which is due to the fact that their prices have increased much less than those of primary products in general. Of the export value of manufactures in 1951 about one-third is accounted for by machinery and transport equipment, one-sixth by textile goods, the rest being made up of other manufactures, including chemicals and miscellaneous articles.

¹ The Network of World Trade, p. 30, Geneva, 1942. The twelve commodities are in descending order of their 1951 export value: petroleum and products, cotton, wool, wheat (incl. flour), rubber, coffee, coal and coke, sugar, meat, tobacco, copper and butter.
The decline in trade in relation to production which has been described in the preceding section has not only affected manufactured goods, but also some important industrial raw materials. Among materials for consumer goods, this is perhaps most clearly brought out in the case of textile fibres. Although exports of raw cotton and wool did not change much in volume between 1938 and 1951, there was an increase in production of some 20 per cent, and if cotton alone is considered, the share of exports in production went down from 40 to about 34 per cent. There was also a decline in the proportion of cotton piece-goods exported from 24 to about 19 per cent of world production. A smaller, but nevertheless perceptible, tendency in the same direction can be observed as far as crude steel is concerned, and for a key material like refined copper the trend is pronounced. As regards more highly manufactured goods, it becomes more difficult to measure the development in this respect for particular items. There are several cases where exports have increased, but much less than production, so that the proportion exported remains considerably below the prewar level. This is true, for instance, of the motor vehicle exports from the United States. On the other hand, the number of motor vehicles in world exports in 1951 increased by three-quarters since 1938, the relation of exports to production being about the same in both years.

FOODSTUFFS

Foodstuffs entering international trade are only a small part of total production, and the proportion traded has lately been smaller than before the War in all the principal groups, with the exception of bread grains. However, there have been important changes in the sources of supply, which have shifted mainly from the Eastern to the Western Hemisphere, a fact that has contributed to the export surplus of the hard-currency countries. The dollar proportion of world (and particularly European) imports of wheat has more than doubled since prewar, and similar changes have occurred in respect of coarse grains, tobacco, citrus fruits and oil seeds. Some further details on these and other commodities are given in the following paragraphs.

Cereals

There were important increases in both production and trade of wheat since before the War, and in 1951/52 shipments were about 75 per cent larger. Trade in coarse grains on the other hand, is roughly unchanged, while rice exports have sunk to a level which is not more than about three-fifths of prewar. Roughly one-half of the wheat traded is imported into Western Europe, and of coarse grains even more, i.e. about two-thirds. Western Germany, for instance, imported in 1951 more than twice as much of all grains than did all of Germany before the War. In world rice imports, the share of Asia is about 70 per cent of the total, but the area has also imported about four times more wheat than before the War, largely owing to substitution
of rice for wheat, and has thus become a net importer of food.

The principal sources of supply of wheat are now the United States of
America and Canada, with nearly four-fifths of all exports against about
one-third before the War, the total quantity shipped from these countries
having risen from 6 to over 22 million tons. This stands in contrast to,
and is partly explained by, the decline in exports from Australia and
a very marked fall in exports from Argentina. Both these countries are,
however, showing signs of recovery in the current season. Among potential
sources of supply in Europe, Turkey should be mentioned, which has again
become a net exporter of wheat and may indeed assume an important rôle in
replacing partly the reduced imports from Eastern Europe. Western Europe
has in recent years heavily depended on imports of bread grains from the
dollar area, whose share in the total imports of Western Europe has doubled
since before the War and now stands at 80 per cent.

Part of the increase in the wheat trade is due to the heavy decline in
the export supplies of rice. Both India and Japan in 1951 imported only
one-half of prewar quantities, and also Europe imported much less. Total
production of rice is, however, at prewar levels, thanks to important
increases in the Western Hemisphere, where output has doubled. Although
total acreage in Asia is larger than before, there has been a constant
decline in yields. The whole rice situation is, moreover, closely
connected with developments in China, before the War the world's most important
exporter. The net exports of the surplus countries in Asia have lately been
less than half the prewar quantity, when the continent exported about 2 million
tons to other parts of the world. Only Thailand is now supplying more than
before the War, while Korea has become a net importer. The proportion of
the resulting wheat imports into Asia which originates in the dollar area
has risen appreciably in the two last years.

The heavy decline in Argentina's exports of coarse grains has been
offset by large increases in exports from the United States and Canada
which, during the last season, supplied about one-half of world exports.
There is, however, in those countries a growing demand for grains as an
animal feeding-stuff, as a result of the increase in livestock numbers,
which may make for smaller export availabilities in the future. It
remains to be seen how this development may affect imports into Western
Europe, which has been deriving nearly half of its supplies of coarse grains
from dollar countries, against only one-tenth before the War.

Animal products

After a continued rise between 1947 and 1950, world exports of butter
in the following year marked a break in the development. Imports into
the United Kingdom and Germany fell considerably and at the same time there
was a decline in output in all the European countries producing for export.
The quantities of milk set free by the shrinking butter production were mainly used in the manufacture of preserved milk and cheese, in response to a higher export demand for these commodities. The United Kingdom increased her imports of cheese between 1950 and 1951, buying in the latter year almost one-fifth in the United States of America. These dollar imports, however, came to an end in 1952, when total cheese imports into the United Kingdom also decreased. Other factors contributing to the present decline in trade in cheese are the United States import quotas introduced in August 1951, as well as the higher duties in Western Germany. In the first half of 1952 the cheese imports of the United States of America from Europe were only about one-third of the corresponding volume in 1951, and supplies from Switzerland, the Netherlands, Denmark and France were heavily affected.

Continued droughts in Australia and Argentina, as well as a low ratio of mutton to wool prices, caused a large reduction in the exports of meat from the Southern Hemisphere in 1951, when total world exports were only about 60 per cent of the prewar volume. The United Kingdom, the world's largest importer, took about 25 per cent less than in 1950, but in 1952 there was again a noticeable recovery in meat trade. Comparing, however, this latter year with prewar years in United Kingdom imports, only mutton shows higher figures, while other kinds of meat fell very much short of prewar levels. Exports of mutton from New Zealand in 1951 were higher than before the War, while Australia's exports were much below that level, as were exports from Argentina and Uruguay. The large increase in exports of canned meat in the world since prewar should be noted. In this trade some European countries, e.g. France, Denmark, the Netherlands and Western Germany, have also played an important rôle as exporters.

Other products

World production neither of coffee nor of cocoa had by 1951 returned to prewar levels. While Brazil and Indonesia produced less, Africa produced more. Supplies of tea in the 1951/52 season were for the first time since the War adequate to meet demand, and the sugar market is characterized by large stocks in the main producing areas, above all in dollar countries. World leaf tobacco production in 1951/52 increased slightly over the preceding period.

Imports of coffee into Europe during 1951 were still about 20 per cent smaller than before the War, while the United States of America increased imports to about 65 per cent of the world total, against just under 50 per cent in the 1930's. After the War there has been a clear tendency in Europe to import less coffee from Latin America; instead the European countries have increased imports from their overseas territories, above all in Africa, and the volume of supplies from this source was in 1950 about two-and-a-half times as large as before the War. Europe in 1949/50 took about 40 per cent of its coffee from Africa against 16 per cent before the War, while Asia's
share in these imports had declined to a fraction. France, for example, re­ceived nearly two-thirds of her coffee from Africa against 40 per cent before the War.

About one-half of all cocoa imported comes from Commonwealth countries, among which the Gold Coast is the most important supplier. Total consumption of this commodity in the world shows a declining trend since the War, and the volume entering international trade is decreasing. All the principal importing countries, except Canada, have reduced their purchases considerably. Trade in tea, on the other hand, is increasing, specially as regards the United Kingdom, which takes a little less than one-half of all imports. On the whole, tea imports into the United Kingdom have been larger than in the 1930's, while imports into other European countries show a decline.

Consumption of sugar is rising, and both in 1950 and 1951, about 11 million tons entered international trade, which is over one million more than before the War. There are, however, indications that trade may decline, as production in importing countries is rising and a big increase in exportable supplies has taken place in countries which require payment in dollars. For instance, Cuba's export availabilities in 1952 were about one million tons larger than in the preceding year.

Production of tobacco has increased somewhat in the principal exporting areas, with the exception of Turkey, Greece and India. The shift in consumption that has occurred in Europe in favour of the American type of tobacco, has caused mar­keting difficulties for, inter alia, Turkey and Greece. Both these countries have, however, been able to increase their total shipments in recent years; exports from Turkey are twice, while exports from Greece still are at about two-thirds of the prewar level. The leaf tobacco imports of Western Europe represent about 70 per cent of the world total. Largely owing to previously accumu­lated stocks, the United Kingdom imported in 1952 about 25 per cent less from the United States of America than in the preceding season.

International trade in citrus fruit continued to expand in 1951, specially as far as European exports are concerned. While the United Kingdom imported less than before the War, Western Germany's takings exceeded the prewar imports into the prewar territory of Germany by about 30 per cent. Exports from Spain went up considerably, and the United States of America increased supplies of citrus fruit to Belgium and the Netherlands and found a new market in France.

Nearly three-quarters of the world's wine output is produced in France, Italy, Spain, Algeria and other Mediterranean countries. The consumption is large in all these countries and, with the exception of Algeria which produces wine primarily for the French market, none of these countries exports more than a small fraction
of its total output. France, by far the largest producer, is also the largest importer. She receives from Algeria about one-fifth again as much as she produces and also imports from Spain, Portugal and other countries. However, France also is an exporter of high-quality wines, whereas her imports are of a more ordinary kind. In fact, the average value per volume unit exported was, in 1938, four-and-a-quarter times the unit value of imports. In 1952, the ratio of export to import unit values was only two-and-three-quarters, owing to substantial exports of table wines.

In spite of the expanded world production of oilseeds, world trade is still below prewar levels, a fact mainly attributable to increased domestic consumption in the producing countries. The acute shortage of oils and fats of the first postwar years has, however, been relieved in many importing countries. About one-fourth of world production enters international trade. Exports from Argentina, Eastern Europe, and Indonesia have been considerably lower than prewar in the last few years, but have been partly offset by increased shipments from the United States of America, the Philippines and West Africa. Argentina's linseed exports were very low in 1951, but it is estimated that 1953 will bring a substantial exportable surplus. The most important postwar feature in the trade in fats and oils is the increased share of hard-currency countries in exports. The United States of America, for instance, in 1951 shipped nearly 20 per cent of world exports against less than 2 per cent in 1938, while Europe's exports at the same time declined from 8 to 5 per cent. Minor increases in exports from the overseas sterling area have been more than offset by declines in exports from supplying countries in the Far East and from Argentina. Some relative changes in the trade of various types of oils and fats are also to be noted. Edible vegetable oils in 1951 accounted for 22 per cent of total exports, against 30 per cent before the War, whereas the so-called hard oils, i.e. coconut, palm-oil, tallow, etc., now 46 per cent of all trade in oils and fats, against 36 per cent in 1938.

**RAW MATERIALS AND SEMI-MANUFACTURED GOODS**

Although it is not possible to give the exact proportion of industrial raw materials in the value of international trade, it is, however, clear that their share has been larger than before the War, while foodstuffs, as already mentioned, have undergone a relative decline. A rough estimate indicates that the combined imports of crude materials, including fuels, into the United States of America and Western Europe, which were about one-third of the total 1938 value of the imports of these countries, had risen to slightly over 40 per cent in 1951.
International trade in semi-manufactured goods has increased in volume somewhat more than trade in all manufactures. However, trade among the industrial countries (the dollar area and Western Europe) appears to have grown considerably more since before the War than their exports to other parts of the world, i.e. to primary producing countries. While the volume of exports of semi-manufactures from the industrial countries to each other has more than doubled between 1938 and 1951, their exports to primary producing areas have increased by 60 per cent only. Taken separately, however, the development in the main industrial areas was not uniform. The dollar area's exports were nearly two-and-a-half times larger in volume than in 1938, and thus much larger than the corresponding increase in either the United Kingdom or the other European industrial countries both of which fell short of doubling their export volume since prewar. The United States of America and Canada, moreover, increased exports both to Europe and to primary producing areas more than Western Europe. The United Kingdom's exports to the industrialized world rose since prewar at the same rate as those of the continental countries, but showed a larger total increase, through intensified exports to primary producers, mainly the overseas sterling area. Japan, which in 1938 accounted for only about 3 per cent by value of the world's total exports of semi-manufactures, in 1951 still occupied a similar relative position. But in volume, her total exports had not yet recovered the 1938 level, although her supplies to the primary producing areas were well above prewar.

While it is clearly out of the question to cover in detail each industrial raw material, and impossible to discuss each class of semi-manufactured goods, some of the more important commodities have been selected for further comment.

Textile fibres

The sharp decline in the world's production of textile goods during 1951 has given rise to a large reduction in the trade of raw fibres. The quantity of raw cotton consumed has been 12 to 15 per cent smaller in 1951/52 than in the preceding season. There was, at the opening of the 1952/53 season a huge carry-over of some 13 million bales, which is more than a full year's trade.

The volume of world trade in cotton in the last three years was approximately at the same level as in 1938/39. However, important shifts have taken place in the direction of this trade. First, as regards the sources of supply,

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As here defined, this group includes mainly "base metals and manufactures" and chemicals, each of which contains some finished goods but consists principally of commodities which require further elaboration before they are ready for use. The two groups mentioned are, of course, part of the "manufactures" and enter into that category as discussed in Section A. The remaining manufactures, mainly finished goods, are examined below under the heading "finished manufactures".
exports from the United States of America, the chief exporting country, stood in 1951/52 two-thirds above the last prewar year, which means that a much larger part of cotton moving in international trade, in fact about one-half, now comes from that country. The 1951/52 shipments from the United States of America were 26 per cent above the preceding year, but in the current season they again dropped by about one-half. In the last four years, India has practically ceased exporting raw cotton and even imported about one million bales in 1951/52. She has now become a major exporter of cotton manufactures. Exports of raw cotton from Pakistan dropped by about 10 per cent from the one million bales of 1950/51. Egypt’s production has fluctuated widely in recent years, and exports in 1951/52 were only about half the 1948/49 level. Mexico has appeared as an exporter of some importance, and shipped about one million bales.

As regards destinations, large changes have also occurred. Considering imports from all sources, the United Kingdom in the period under review took about one-tenth less than before the War. Although there was a drop in Italy’s imports from the high level of 1950/51, this country still imported half again as much as before the War, while Japan’s imports were only about three-fifths of prewar. Of the United States of America’s exports of cotton in 1951, 9 per cent went to the United Kingdom against 19 per cent in 1938. On the other hand, the share of the other main European importing countries in United States exports, increased from 32 to 42 per cent. The share of Japan has, on the other hand, fallen from 23 to 17 per cent. India was second in importance, after Japan, as an importer of United States cotton, taking 11 per cent in 1951, and her imports from that source were larger in absolute quantity than those of the United Kingdom.

In 1951/52 and in 1952/53, the wool clip is estimated at about 4 million tons (greasy basis) or about 5 per cent above the prewar period. Consumption in 1952 was unchanged from the preceding year and now stands at about one-tenth above prewar. World exports, the quantity of which had diminished by roughly one-quarter in 1950/51 since the preceding season remained at that level in 1951/52.

Supplies to all major importing countries were declining, with the exception of Japan which in 1952 imported twice as much as in 1951. Another salient feature is the decline in United States purchases which in the second half of 1952 were only half as much as in the same period of 1951. The share of sterling suppliers in United States imports has risen since prewar from about two-fifths to three-fifths in 1950/51. The United Kingdom also has increased the share of Commonwealth countries in her imports and now receives nearly all her supplies from them.
As a result of a plentiful crop, jute became less scarce, but the relatively high prices have encouraged the use of other packing material, particularly cardboard, and demand was also affected by the decline in the volume of international trade. In 1951/52, there was a fall in exports from Pakistan by more than one-quarter from the preceding season. This country, which used to export jute to India for manufacture, now plans to produce burlap on a large scale herself. The Indian industry has recently been undersold by European producers who have been able to increase exports, inter alia, to the United States of America.

**Wood Pulp and Newsprint**

World output of wood pulp, taken as a whole, in 1951 stood nearly three-quarters above the level of 1938. It declined slightly in 1952. About 70 per cent of the total is now produced in North America, and 20 per cent in Northern Europe. Nearly one-fifth of world production enters international trade.

The United States of America, by far the largest producer, is also the largest importer, accounting for about one-third of total international trade. Since the War, these imports come mainly from Canada, 80 per cent in 1951, and the increase in this proportion is partly the result of the incorporation of Newfoundland into that country. Before the War, Europe was the main supplier.

In 1952, this shift in the sources of supply has become even more pronounced. During the first three quarters of the year, while United States domestic production was essentially the same as in the corresponding period of the previous year, the total volume of imports fell by 27 per cent, as a result of price ceilings applying to domestic production, while import prices were left uncontrolled and rose heavily. However, receipts from Canada declined only 18 per cent, whereas imports from Sweden, Finland and Norway dropped by 54 per cent. These changes are closely related to price developments and export availabilities. In the first half of 1950, prices of European and Canadian wood pulp in the American market were about equal, but in 1951 the prices for European pulp were from 20 to 60 per cent higher than for Canadian pulp. However, Canadian supplies, though larger than in the preceding year, being relatively short, imports from Europe continued high. During 1952, prices for European pulp declined more than for Canadian and again reached equality with Canadian prices during the second half of the year. But, since the Canadian supply situation was easier, the price difference, though diminishing, had a large effect.

World production of newsprint in 1951 was about one-third larger than before the War. Two-thirds of output enters international trade. Canada's share in world production was 54 per cent in 1951, against about 40 per cent before the War. Her share in international trade has also increased since prewar; it was 75 per cent and now is 82 per cent. Moreover, the destination of these exports has changed considerably; the share going to the United
States of America rose from 78 per cent before the War to 93 per cent in 1951. The production and exports of the Northern European countries are roughly of the same volume as before the War, and their relative position in both has accordingly diminished. Prices of newsprint did not vary as widely as for wood pulp. Instead, there was an even increase with a slight drop during 1952.

Rubber

World exports of natural rubber have shown constant progress since 1946 and in 1951 were about 1.8 million tons. In 1952, there was a small drop from the preceding year, but the world total still stands about three-quarters above the prewar level. Roughly 75 per cent of the world supply originates in Malaya and Indonesia. In 1950, the latter became the world's largest exporter. Increases in exports occurred in Thailand, South and Central America and, particularly, Africa. On the import side, the United States of America before the War took about 40 per cent of world exports and in 1951 nearly 45 per cent. The United Kingdom's imports accounted for 12 per cent of the world total in that year, and imports into both France and Germany seem to be increasing. Western Europe as a whole in 1951 imported about twice as much crude rubber as before the War.

In rubber trade, the production of synthetic rubber is of no little importance; about 900 thousand tons were produced, practically all in North America, in both 1951 and 1952, i.e., half as much as world output of natural rubber. Before the War, this production was negligible.

By 1951, world consumption of rubber, including growing quantities of reclaimed rubber, had nearly trebled since prewar. Most of this increase is due to the growth in the world stock of motor vehicles (which in 1952 was 70 per cent larger than before the War), to the increased proportion of commercial vehicles in this stock (1938: 19 per cent; 1952: 24 per cent) and to the more intensive use of motor vehicles.

Petroleum

These same factors are also mainly responsible for the growth in world production and consumption of petroleum. World output has more than doubled since before the War. North America has by far the largest share in this production (more than half); Latin America and the Middle East, which produce roughly equal quantities, account for another 36 per cent. However, since before the War, production has trebled in the Middle East, increased by two-thirds in the Caribbean area and by one-third in the United States of America. Persia now produces only about one million tons a year, against 17 million in 1951 and 32 million in 1950. Production in Canada is rising so fast that the country now ranks as the world's eighth producer. Of total world output, about one-third goes into international trade.
The market in petroleum has, in contrast to many other important commodities, undergone a clear shift away from the dollar area. However, this does not mean that corresponding dollar savings are made; owing to the organization of the market and to the fact that much of the resources in the Middle East is exploited by American companies, a large part of imports from that region into Europe still has to be paid for in dollars. France, for instance, paid dollars for just over one-fifth of her 1952 imports of crude petroleum from the Middle East. Dollar payments by the metropolitan member countries of the OEEC in 1951 for petroleum imported from oil-fields outside North America, amounted to $225 million, and this item ranks high in Western Europe's dollar expenditure. The quantity imported into Western Europe, which represents about four-fifths of international trade in petroleum, has doubled in 1951 compared with 1938. As a result of efforts to save dollars (although refinery equipment comes mainly from the United States of America), refined products have a much smaller share in international trade than before the War, whereas there has been a more than four-fold increase in imports of crude petroleum into Western Europe.

Coal

The 1951 world output of hard coal, estimated at about 1260 million tons, (excluding the USSR) marked a four per cent increase over the preceding year. Although world production during 1952 seems to have fallen back to the 1950 level, largely as a result of reduced industrial consumption, the demand for certain qualities, particularly coking fines, continues strong, especially in the European market. The general situation cannot yet be considered as normal, since inter-continental trade continues.

Exports from the United States of America to Western Europe in 1951 amounted to about 25 million tons, and also in 1952 these exports were considerable, although there was a decline to about 20 million tons which affected most countries with the principal exception of Western Germany. An overall reduction in Western Europe's imports from all sources between the two years, from 68 to 63 million tons, is also to be noted. This reduction in the total imports of Western European countries was, however, accompanied by a distinct improvement to the extent that the share originating in the area itself rose from about 47 per cent in 1951 to nearly 55 per cent in 1952. Apart from the smaller shipments received from the United States of America there was also a reduction in imports from Eastern European sources.

Among exporters outside Western Europe, Canada delivered in 1951 most of her exports to the United States of America, and India shipped in the same year about 2.5 million tons, of which about one-third went to Japan and the rest to Pakistan.

Future developments in the international coal market will probably be influenced by a further reduction in the relative importance of coal as a source of energy.
This reduction is likely to continue, both because coal mining is more subject than other industries to decreasing returns, and also because wages account for an exceptionally high proportion in total costs. The share of labour costs would therefore tend to raise the price of coal relatively to that of other sources of energy, even if coal miners' wages should not rise faster than wages in general.

While solid fuels (which include lignite) in 1937 still accounted for 71 per cent of the world's consumption of energy, this share had dropped to 59 per cent by 1950. All other sources of energy improved their relative position. Liquid fuels in 1950 accounted for nearly a quarter, natural gas for one-tenth and hydro-electric power for about 7 per cent of the world total. However, the position varies greatly as between the different continents; whereas solid fuels have lost in relative importance everywhere, their decline has been particularly marked in North America where liquid fuels and natural gas have gained correspondingly, accounting in 1950 for one-third and one-fifth of the total, respectively. Europe, on the other hand, still relies predominantly on solid fuels which in 1950 constituted the source of more than four-fifths of its total energy consumption. The importance of both liquid fuels and hydro-electric power in Europe is now about equal, each supplying somewhat less than one-tenth of aggregate energy consumed. But whereas natural gas is quite unimportant for Europe as a whole, it has acquired considerable significance in Italy, one of Europe's major markets for imported coal. In 1952, Italy received fully three million tons of coal less than in 1938, and although a part of this reduction is offset by a large increase in imports of liquid fuels, domestic production of natural gas represented the equivalent of nearly two million tons of hard coal.

Base metals

World supplies of iron ore are still inadequate to meet requirements, although there was a considerable increase in Western Europe's production by about 15 per cent from 1951 to 1952. Imports into the United States of America, mostly from Sweden, Canada and Latin America, represented only about 8 per cent of the country's total supply in 1951. These imports, moreover, declined somewhat in 1952. The European Coal and Steel Community in that year had to import about 28 per cent of its iron ore (measured in iron content) from outside, mainly Sweden and North Africa, whereas 13 per cent of its requirements were traded within the area.

The steel industry in Western Europe had by 1950 recovered sufficiently to supply domestic markets and also to participate in trade with the rest of the world. At the end of 1951, after the post-Korean speculative boom had subsided, it became clear that the danger of a more permanent shortage was past. World production of finished steel in 1951 was nearly twice as high as before the War and the same level was maintained in 1952, with
Western Europe showing a marked increase. In 1951, the European continent (mainly France, Belgium-Luxemburg, Western Germany and the United Kingdom) supplied 1.8 million tons of finished steel to the United States of America, but these shipments were largely due to the American steel strike. In 1952, European supplies to North America were only about 0.8 million tons. Japan's steel exports have more or less regained the prewar level.

An increasing part of Europe's imports of steel from overseas, nearly all of which come from the United States of America, consists of flat products. These imports declined in 1950 and 1951, under the influence of the shortage then prevailing in the United States of America, but recovered in 1952, when Japan also supplied considerable quantities. In the overall increase in the value of steel exports from the United States of America in 1952, the increase to Western Europe was in fact larger than to other areas, accounting for about twice the 1951 figure. On the other hand, several large wide-strip mills are coming into production in various European countries and will reduce import requirements from overseas; those countries are even expected eventually to become suppliers of flat products to other parts of the world.

Among the non-ferrous metals, there was, as regards copper, a slight fall in world production during 1952 as compared to the preceding year, although output in the United States of America was unchanged. Imports into that country were much larger, whereas the United Kingdom's purchases of this metal remained roughly stable. The market on the whole became less short in 1952, and the international allocations were abolished. During the year, large stock-piling was a typical feature. Competition from aluminium continues sharp.

Production of tin was in 1952 at about the prewar level, and a little larger than in 1951. Suppliers in Asia provided during 1952 about two-fifths of international trade in concentrates, and about two-thirds of trade in tin metal. Total world exports, some 115 thousand tons in 1952, were about ten per cent above the preceding year's level but failed to reach the 1950 figure.

The Western European countries are both exporters to, and importers from, the rest of the world as regards iron, steel and non-ferrous metals. While there seems to have been, in 1952, a slight decline in the value of exports as compared with 1951, the value of imports of these items rose considerably. The decrease in exports was most prominent in supplies to the Western Hemisphere while trade within Western Europe rose. The rise in imports was due to supplies both from North America and from European sources.

The United States of America increased imports of non-ferrous metals from all sources in 1952 in comparison with the preceding year, and the overall value rose 55 per cent. As prices in 1952 were on the whole either
unchanged or falling, this also means that a considerable volume increase in the United States imports of non-ferrous metals has taken place.

FINISHED MANUFACTURES

Consumer goods and Capital goods

The outstanding feature of international trade in finished manufactures during the postwar years is the shift that has occurred since prewar between the two main categories within this group, i.e. consumer goods and capital goods. Among the combined exports of manufactures from the principal producing and exporting countries, the main classes of capital goods, machinery and transport equipment, more than doubled in volume between 1938 and 1951. Consumer goods by contrast increased by some 20 per cent only. This development should be seen against the background of a growing demand for capital goods in both industrialized and non-industrialized countries. At the same time, increased domestic production of certain consumer goods, notably textiles, has brought about a slackening in the world's import demand for such goods.

As regards the destination of the world's exports of capital goods, profound changes have occurred between 1938 and 1951. Before the War, 58 per cent of the world's exports by volume went to the main primary producing areas of the world. In spite of an increase in the volume of

1) Consumer goods are here considered as consisting of textiles, passenger cars and "miscellaneous manufactures". Capital goods comprise machinery and transport equipment. The groups "base metals and manufactures" and chemicals which make up the rest of the manufactures, but contain mainly unfinished commodities, have already been discussed above with the industrial raw materials.

2) The United States of America, the United Kingdom, France, Western Germany, Belgium -Luxemburg, Italy, the Netherlands, Sweden, Switzerland and Japan.

3) The volume figures on world trade in capital goods and consumer goods are taken from the Economic Survey of Europe since the War, Geneva 1953. Table LV. They refer to the countries mentioned in the preceding footnote and, therefore, are slightly less comprehensive than the data used in the table shown in Section A and the table which follows below in the present section. Both these tables, though also based primarily on data prepared by the Economic Commission for Europe, include also the exports of Canada and India. Moreover, it will be noted, these two tables show values and not volume figures.
capital goods exported to these areas, which is of the order of three-quarters of the prewar level, the proportion of world exports of capital goods by volume which went to the primary producing regions in 1951 had fallen to 49 per cent. Trade in capital goods among the industrialized areas of the world (the dollar area, the European sterling area and continental Western Europe) rose to nearly two-and-a-half times by volume between 1938 and 1951 and accounted for 42 and 51 per cent of world exports, respectively, in the two years.

Similar tendencies have also prevailed as regards trade in consumer goods. Before the War, the primary producing areas were receiving 58 per cent of world exports, the same proportion as of capital goods. In 1951, the volume of consumer goods supplied to them was actually smaller, if only by a fraction, and accounted for only 46 per cent of total world exports. The volume of trade within the industrial regions in 1951 was more than one-half above the level of 1938, and the share of world exports it represented rose from 42 per cent in 1938 to 54 per cent in 1951.

Thus, the increased emphasis on capital goods in international trade of finished manufactures has taken mainly the form of greatly intensified exchanges among the industrialized parts of the world. The supplies to primary producing regions were also much higher in 1951 than in 1938, but they increased less than trade within the industrial regions. As a result, the quantity of capital goods exported to the non-industrialized parts of the world in 1938 was nearly two-fifths larger, but in 1951 had actually become smaller, if only by 2.5 per cent, than the quantity exchanged within the industrialized areas.

A similar switch, though attenuated in its effects by the smaller size of the changes in total volume, occurred in respect of consumer goods.

Among the supplies of capital goods, it was mainly the United States of America that increased the volume of exports to primary producing countries, while exports from Western Europe showed a relative decline, in spite of a large increase of exports from the United Kingdom to the overseas sterling area. By 1951, two-fifths of the total volume of United States supplies of capital goods, and more than half of the total exports of such supplies from Western Europe went to the non-industrialized regions of the world.

At the same time as the exports of capital goods are playing a larger rôle in the total United States exports of manufactures, the United States of America now has a larger share in world exports of capital goods. However, as appears from the table overleaf, the dollar area has strengthened its position as a supplier of manufactures even more in respect of consumer goods, and it has done so more particularly with regard to the primary producing areas. The European sterling area, mainly the United Kingdom, has also increased its share in world exports of capital goods between 1938 and 1951, while its relative position as a supplier of consumer goods has remained the same.
On the other hand, continental Western Europe has only slightly lost ground as a source of supply of consumer goods - in fact it still has the largest share in world exports, but has suffered a large relative decline as a source of exports of capital goods. Its position has deteriorated equally with regard to the industrialized and the primary producing areas of the world. Supplies from the 'Rest of the World', i.e. from Japan and India, have undergone changes similar to those of continental Western Europe.

### Shares of Main Industrial Areas in the Value of Exports of Capital Goods and Consumer Goods to the World as a whole (I) and to the Primary Producing Areas (II), 1938 and 1951

(Percentages of world exports)

<table>
<thead>
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<th>Exporting Areas</th>
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<th>Consumer Goods</th>
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<td>1938 I II</td>
<td>1951 I II</td>
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<td>31 16</td>
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<td>1 1</td>
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<td>100 59</td>
<td>100 51</td>
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Note: For sources and methods, see Appendix. The basic data from which the table has been derived were prepared by the Economic Commission for Europe. The exporting countries considered are the United States of America and Canada in the dollar area; the United Kingdom in the sterling area; France, Western Germany, Italy, Belgium-Luxemburg, the Netherlands, Switzerland and Sweden in continental Western Europe; India and Japan in the "Rest of the World". The primary producing areas include the overseas sterling area, the non-dollar countries of Latin America and the "Rest of the World".

In appraising this situation, two important factors must be kept in mind. In the first place, the dollar countries of Latin America are not included among the primary producing areas considered in the foregoing paragraphs. To show the order of magnitude of this omission, it must be mentioned that the trade in capital goods within the dollar area has risen from 8 per cent of world exports of such goods in 1938 to 15 per cent in 1951, while the corresponding proportions for consumer goods were 3 and 7 per cent, respectively, in the two years. Although trade within the dollar area includes exchanges
between the United States of America and Canada, much of the capital goods included in that trade goes to the dollar countries of Latin America. These deliveries should be added to the supplies of capital goods referred to in the discussion above as destined to primary producing countries in order to arrive at world supplies of capital goods from industrialized to non-industrialized countries.

Secondly, account must be taken of the fact that a much larger proportion of the machinery and transport equipment going to primary producing areas represents net investment, i.e. net additions to the stock of capital goods, than in the case of supplies going to countries already industrialized, where a much larger part of gross investment serves to replace equipment that is worn out or has become obsolete.

Although the information available on developments in the prices of manufactures is insufficient to draw any detailed conclusions, it is apparent that the prices of consumer goods have risen much more than the prices of capital goods since 1938. As far as the different exporting areas are concerned, it also appears that prices have risen more, where the increase in the volume of exports has been smaller. Tentative estimates of the price situation tend to show that the export prices of capital goods have risen most in Japan and least in the United Kingdom, but more in the continental European countries than in the United States of America. Likewise the export prices of consumer goods are highest in Japan in comparison to prewar and lowest in the United States of America, while they are again higher in continental Western Europe than in the United Kingdom. One further interesting fact emerges from the estimates of these various price levels: there is no great difference in the increase since 1938 of dollar area export prices for consumer goods and capital goods, respectively, while in the United Kingdom and continental Western Europe, the former have increased much more than the latter, owing, no doubt, to the large part played in their exports by textile goods, the prices of which have increased more than those of other manufactures.

Textiles

In spite of its rapid increase during the postwar years, the volume of trade in cotton textiles in 1951 was still about one-fifth below the prewar level. This decline, however, is not due to reduced production. Trade in cotton piece-goods was about 23 per cent of total output before the War, against 16 per cent in 1951.

Important changes have taken place in the main sources of supply. Before the War, in 1936-38, Japan furnished nearly two-fifths of world exports, the United Kingdom one-quarter, continental Western Europe one-fifth, India 12 per cent and the United States of America 4 per cent. In 1951, continental Western Europe supplied one-third of the world total while exports from the United Kingdom, the United States of America, India and Japan had all become of the same order of magnitude, with shares ranging from 14 to 20 per cent.
Other producers, which previously exported only negligible quantities, accounted for over 2 per cent of world exports in 1951 which goes to show that also the new producing countries, particularly in Latin America, have a surplus available for export.

According to provisional estimates, it appears that total world exports of cotton piece-goods in 1952 were about 20 per cent lower in volume than in 1951. The decline in Japanese exports was particularly heavy.

On the import side, it is to be noted that India in 1951 bought practically nothing against nearly 12 per cent of world imports before the War. Imports into South America were also much smaller, about one-fifth of their prewar level. Although the volume of imports of cotton textiles by primary producing areas has diminished substantially since before the War, these areas still account for over 80 per cent of the world's total imports.

In spite of the fact that trade in rayon textiles by 1951 had increased only half as much as production since prewar (i.e. by 38, against 77 per cent), the volume exported represented in 1951 about 22 per cent of trade in cotton textiles, against 14 per cent in 1936-38. The industrial consumption of textile fibres in the world as a whole now consists to the extent of about one quarter of rayon yarn and staple fibre, a gain of about one-tenth in the total.

While the consumption of wool manufactures in the world in 1951 was only slightly above the prewar level, consumption in certain areas, notably in Asia, was much smaller than before the War. The textile crisis in the two last years has struck the wool industry particularly hard. Trade in wool tops and yarns was in 1951 some 10 per cent below prewar, and in wool fabrics it had only reached the prewar volume. Trade in other wool articles such as clothing, blankets, etc., on the other hand, had more than doubled since the 1930's, and the rising trend continued in 1951. The share of European countries, specially the United Kingdom, in this increase, was important. They supplied in 1951 about 90 per cent of world exports of woollen products other than fabrics against about 75 per cent before the War, and in the year mentioned the United Kingdom alone accounted for nearly one-half of world exports. On the import side, the share of the dollar countries was bigger than before the War, while there were heavy drops in imports into Latin America and Asia. However, in the three first quarters of 1952, there was a considerable decline in Europe's exports of these goods.

**Passenger Cars**

About four-fifths of all passenger cars are manufactured in the United States of America and most of the rest in Canada, the United Kingdom, France, Germany and Italy. In 1952, there was a decrease in production from the preceding year, from 9 to a little over 8 million cars, due principally to a decrease in the United States of America by about 800,000 units. In the
same year, about 14 per cent of world production entered international trade, which means an increase since before the War by about 5 per cent. There are, however, large differences in this respect among the producing countries. The United Kingdom exported in 1951 about 77 per cent of her production of passenger cars, Western Germany 34 per cent, France and Italy 25-30 per cent, while the United States of America had an export proportion of only 4 per cent.

Of all exports, Europe and Latin America each received a little over one-quarter, nearly one-quarter went to Asia and Africa, nearly one-fifth to Australia and New Zealand, and the rest to North America. Devoting more than two-thirds of her production to exports, the United Kingdom has taken over the place previously held by the United States of America as the world's largest exporter. Among other European exporters, Western Germany has gained much ground lately, mostly in European markets. The United States of America still ranks first in Latin America and in the greater part of East Asia and the Middle East. The United Kingdom is the main supplier to the overseas sterling area, where Canadian exports are also mainly directed. The European market presents a field of lively competition among the European exporters. Only Belgium, Switzerland and to a certain extent Sweden and Turkey, have been able to import passenger cars from the United States of America in more than negligible quantities.

**Machinery and Transport Equipment**

Together, machinery and transport equipment accounted for over one-tenth of the value of world exports both before the War and in 1951. In 1952, the share of machinery and transport equipment in the value of world exports of manufactured goods appears to have increased somewhat.

There was a considerable rise in the machinery exports of Western Europe in the three first quarters of 1952 in comparison with the corresponding period in 1951. The value of these exports increased by about 25 per cent, in particular to overseas territories and within the area itself. Sales from Western Europe to the United States and Canada, although accounting for only a fraction of the total, rose by nearly 50 per cent. The exports of the United States of America increased much less, i.e. about 15 per cent in value. The most important change in exports occurred in supplies to Canada which exceeded those of the preceding year by a quarter. United States deliveries to Europe increased in the same proportion as total machinery exports from the United States. The industrial expansion overseas finds an expression in the fact that the value of the combined exports of the United States and Western Europe to the overseas sterling area and the "Rest of the World" was in the three first quarters of 1952 about 35 per cent larger than in the same period of the preceding year, whereas exports within the areas mentioned and to Canada and Latin America in 1952 were only about 11 per cent higher than the year before. While it is not possible to cover the whole group of the capital goods in detail, a few salient facts on the development of trade in some selected items follow.
World trade in agricultural machinery has expanded very substantially after the War, and the volume is now more than four times as large as in 1938. Four countries, i.e. the United States of America, the United Kingdom, Canada and Western Germany account for over 90 per cent of world exports, while the number of importing countries is large and still increasing. The United Kingdom has gained ground lately as an exporter, while the United States of America has lost part of her previous markets in Europe. The largest importer is Canada, and the country takes most of her supplies from the United States of America. The latter is second among importers, but takes more machinery than tractors. In virtually all areas, the United Kingdom has been able to improve her position since before the War.

Tractors account for a steadily increasing share in international trade in agricultural machinery. Of their total world production which now stands at four times the prewar level, about 20 per cent has recently gone into external trade. The Commonwealth as a whole is still a net importer of tractors, although the margin between imports and exports is decreasing. In the three first quarters of 1952 there was an increase in the value of United Kingdom exports over the preceding year, while other exporters remained at about the same level.

None of the big textile manufacturing countries can meet the domestic demand for textile machinery exclusively out of its own resources, e.g. the United Kingdom imported in 1950 about 15 per cent by value of her requirements, and in continental Western Europe the proportion was about one-third. Trade in textile machinery has apparently not suffered much from the general textile crisis of the last two years; Western Germany, whose output of textile equipment has expanded considerably in recent years, exported in 1952 a quantity which was about three times as large as in 1950. In 1952, half of the production was exported. On the whole, a much larger proportion of the world output of textile machinery is exported than before the War, which is, of course, in line with the simultaneous decrease in the trade of textile manufactures.

The proportion of total imports into Western Europe from the United States of America has been appreciably larger than before the War, and in the Latin American market the United States share in total imports has also grown, accounting for nearly half in 1951. The volume of textile machinery imports by Latin America from all sources has grown three-fold between 1938 and 1950, and in 1951 there was a further substantial increase. In recent years, Brazil took about one-half of the total imports of Latin America. Most Western European countries have increased the volume of their exports to Latin America since before the War. Italy's expansion in this market was particularly remarkable. While her exports were negligible in 1938, she was the third largest supplier after the United States of America and the United Kingdom in 1951. As regards export trade to the Far East, the United Kingdom has maintained her leading position in the Indian market, with about 90 per cent of the total supply. Of late, however, the United Kingdom
has had to face some competition from Japan and Germany. Japan's share is increasing also in Pakistan.

As regards trade in metal-working machinery, an important feature has been the declining share of United States exports to Europe in recent years. This should be seen in the light of a steady and large increase in both the British and the Western German output, which has been accompanied by a considerable rise in exports. In the three first quarters of 1952, however, exports from the United States of America to Western Europe have again increased by some 30 per cent in value in comparison with the same period in 1951. Total exports from the main producing countries in Western Europe and the United States of America in the three first quarters of 1952 were in value nearly 50 per cent above the corresponding level in 1951.

The biggest supplier of office machinery is the United States of America, but the United Kingdom has made great progress in the last few years. The sterling area took one-half of British exports, and sales to the United States of America, though small, have doubled in value from 1951 to 1952. However, the reason for this is partly the production of office machinery which American firms have started in both the United Kingdom and France, and some of which goes to North America. Also Western Germany has improved her position in the world market, more than doubling her exports in value from 1950 to 1951. About 60 per cent of her production goes to Western European countries. There has also been considerable progress in the exports of Italy in recent years. The general decline in the United States exports of office machinery in 1952 was roughly matched by an increase in the exports of European producing countries.

There was, in 1951, an increase in the combined exports of the United States of America and the United Kingdom of commercial vehicles by nearly 30 per cent in number over the preceding year. However, the increase affected only exports from the United States, whereas British exports suffered a slight decline. In 1951 the two countries accounted for roughly 90 per cent of the world output of commercial vehicles. They exported nearly a quarter of their production. The United Kingdom, however, sold about half her output abroad, and the United States of America only about 15 per cent. While continental Western Europe imported practically the same number of lorries, etc. from the United Kingdom in both 1950 and 1951, imports from the United States of America rose by 80 per cent. Australia's imports from the United Kingdom began to fall heavily in 1951, and this trend continued during the following year. The big increase in 1951 of exports from the United States of America to Latin America, especially to Brazil, is worthy of mention, as is the doubling in exports to Asia and the appreciable increase in sales to African countries. However, in 1952, import restrictions brought about declines in United States exports to many destinations.
SECTION C

TRADE OF COUNTRIES

THE COUNTRIES BELONGING TO THE DOLLAR AREA

1)

The balance of trade

The share of the dollar area in world exports continued in 1952 its spectacular rise which had been from 22 per cent in 1938 to 28 per cent in 1951. In the first half of 1952 it reached 30.5 per cent and for the whole year it was 30.7 per cent.

But the region's exports, although higher by more than $900 million than in the previous year, have not been able to keep up the extraordinary rate of increase achieved between 1950 and 1951. Its imports, on the other hand, were somewhat lower in value than in 1951.

The value of total exports to all non-dollar destinations in the first half of 1952 was 50 per cent higher than in the first half of 1950, whereas the value of imports from all non-dollar sources increased by 38 per cent during the same period, after reaching a peak at 75 per cent above the 1950 level during the first half of 1951.

The two outstanding features during 1952 have been, in the first place, the continued increase in the value of Canada's exports which in 1951 stood at 27 per cent and in 1952, 43 per cent above the level of 1950 and, secondly, the decline of United States exports of a purely commercial character: within the Latin American sector of the area, some relative changes between member countries took place which did not, however, substantially affect their combined rôle.

1) The United States of America, including the non-contiguous territories, Canada, the Central American Republics, Colombia, Ecuador, Bolivia, Mexico and Venezuela. The trade of the Philippines is discussed below with that of other Far Eastern countries.
The volume of United States and Canadian trade in 1952

The volume of United States exports and imports was slightly higher than in the preceding year. As regards exports, the increase was due to higher levels at the beginning of the year and, as regards imports, to a sudden increase towards the end. Canada's exports, on the other hand, continued to rise during the year, apart from a seasonal decline in the third quarter, and ended the year at record levels; for the whole of 1952 exports have been over one-tenth higher than the year before. A similar development occurred in Canadian imports with the distinction that they hardly suffered any seasonal set-back during the third quarter.

The direction of trade

The share of the dollar area's total exports that went to its own members, declined from exactly half in 1951 to 45 per cent in the first half of 1952. In the case of the United States, this proportion was by mid-1952 just over two-fifths, but for the other countries it was just over three-fifths of their total exports. However, while the share of exports destined for other countries in the dollar area has shown a marked degree of stability in the case of the United States of America and some Latin American dollar countries, it is diminishing quite definitely for Canada where it fell from 69 per cent in 1950 to 58 per cent in the first half of 1952.

With regard to imports, the concentration on supplies from within the area is even more pronounced. Well over two-fifths of the imports of the United States of America and between three-fourths and four-fifths of the imports of the other members originate in the dollar area. There is little or no indication of any major change in these relations since 1950.

During the same period, the value of exports to other destinations increased very substantially, specially to the sterling area, both in Europe and overseas, South America and the Far East; exports to continental Western Europe and its overseas territories developed much more slowly, although their value increased by almost one quarter.

On the other hand, imports from continental Western Europe increased their relative share from 1950 to mid-1952 more than did imports from any other region, even though they could not maintain the high levels reached during the first half of 1951. Imports from the sterling area by the middle of 1952 had gained somewhat less over the 1950 level, after suffering a decline by nearly $400 million, or almost 25 per cent, from their record value in the first half of 1951. Whereas imports from some Far Eastern countries (with the exception of Japan) and the Middle East also scored sizeable increases between 1950 and mid-1952, the value of supplies from the non-dollar countries in Latin America hardly showed any gain during the same period.
The position of selected countries

The United States of America

Including the "special categories", the value of exports in 1952 was virtually the same as in 1951. But if these categories which in 1952 accounted for $2,500 million are excluded, the remaining exports underwent a considerable reduction. Practically all destinations shared in this decline except the overseas territories of the European countries and Turkey where little change occurred and Canada which showed an increase. The commercial trade surplus proper, i.e., apart from the special categories, has, in fact, been much smaller than in the preceding year. It fell from $2,500 to $1,680 million. Except for exports to Canada, there were no marked signs that commercial exports from the United States were regaining the ground lost since the beginning of the year.

Whereas commercial exports declined heavily, by nearly one-tenth, the value of imports in 1952 was slightly below that of 1951, mainly because of decreased imports from the overseas sterling area which declined by nearly $200 million and from France which fell by $90 million. Imports from many other sources increased, for instance from the United Kingdom, certain continental European countries and South America, but the increase was specially substantial from Central America and Canada.

Canada

In 1952 the value of Canada's exports reached the record level of $4,450 million. Apart from the proximity of the United States of America, the strength of Canada's export position lies in the fact that the bulk of her exports consist of basic foodstuffs and materials, the demand for which is comparatively stable; the general level of export prices, although somewhat lower than in 1951, was fairly well sustained throughout the year.

Although the exports go mainly to the dollar area, there is a decided tendency to spread into other markets as well. As a result, the share of the dollar area has been reduced. The 1952 value of exports to the sterling area rose by 9 per cent over 1951, to Latin America the increase was 35 per cent and to continental Europe, 36 per cent; at the same time, exports to the United States rose by 8 per cent only.

1) "Special category" exports, as defined by the Foreign Commerce Weekly, 16 March 1953, are "those which, on security grounds, are not reported by area of destination."
In 1952, the volume of imports stood 11 per cent above the 1951 level, while the value of imports increased only 6 per cent. The trade balance was reversed and changed from a deficit of $110 million in 1951 to a surplus of $334 million in 1952.

As already noted, the changes in the origin of imports have been very different from those occurring in the destination of exports, and imports from the dollar area have even gained upon the very high levels previously attained. On the other hand, imports from the sterling area decreased by no less than 16 per cent (from the United Kingdom by 8 per cent), and from continental Western Europe by 7 per cent; during the last quarter of the year, there was some evidence of a revival of imports from the United Kingdom and other European countries, including their dependent overseas territories.

The dollar countries of Latin America

In the Latin American sector of the dollar area, four countries (Venezuela, Cuba, Mexico and Colombia, in decreasing order of the value of their exports in 1952) accounted in 1952 for most of the foreign trade i.e. 84 per cent of the combined exports and about 83 per cent of the combined imports of the whole group.

Compared with 1951, only Venezuela's exports underwent a further, if small, increase in value, passing the $1,500 million mark, while those of Colombia and Mexico remained virtually unchanged; Cuba's exports suffered a sharp decrease by $94 million. On balance, the export value of the whole group at about $3,900 million, remained almost unchanged compared with 1951.

The value of exports from the whole sector increased by about two-fifths from the first half of 1950 to the first half of 1952. The share of supplies to the United States in the total value decreased slightly, while the share of exports to Canada rose sharply. There was an increase in the relative importance of exports to the "Rest of the World" (specially Japan), the non-dollar Latin American countries, continental Western Europe and the United Kingdom, in that order. Exports to the overseas territories of continental Western Europe (largely accounted for by exports of oil from Venezuela to the refineries in Curàçao), though still rising, accounted for a smaller proportion. Since, however, the share of the exports going to the rest of the dollar area covers nearly three-fifths of the total, no undue importance should be attached to these various relative changes, the more so since the vast capacity of the nearby North American markets to absorb the products of the Latin American dollar countries still remains their principal means of procuring capital goods needed for the development of their own, largely underdeveloped, resources. The shifts in trade within

1) Central America, Mexico and the Caribbean Republics, Bolivia, Colombia, Equador and Venezuela.
the dollar area itself (i.e. the growing importance of Canada), may be more important and imply a reduced dependence on United States markets. Trade between the members of this part of the dollar area themselves has remained at very low levels.

The value of Venezuela's imports in 1952 rose by one-eighth compared to 1951. She thereby became the area's biggest importer, ahead of Mexico which registered a decrease in the value of her imports by the same amount ($90 million) by which Venezuela's increased. Incomplete data indicate that Cuba's imports in 1952 may have been some $70 million lower than in 1951 and that only minor changes occurred in those of the other countries.

From the beginning of 1950 to the middle of 1952, the combined total imports of these countries increased somewhat less than their exports, by just over one-third, imports from the United Kingdom and the United States of America went up somewhat less and those from continental Western Europe much more than the total (almost exclusively on account of trade with Germany). Imports from Canada more than doubled.

The commodity composition of trade

In 1952, the composition of United States exports changed in some respects. By broad sub-divisions, finished manufactures strengthened their position, rising from 51 to 62 per cent of the total value of exports. The share of crude materials and semi-manufactures and of foodstuffs, fell somewhat. Among the commodity groups, agricultural products still rank highest, in spite of reduced cotton exports. If only commercial transactions are considered, i.e. excluding "special category" items, machinery, the second largest commodity group, lost ground; however, the value of exports of machine tools and other industrial machinery, increased. The value of textiles, now accounting for about 4 per cent of total merchandise exports, fell by one-fifth from the level of the preceding year.

Among imports, crude materials, though decreasing from 31 to 27 per cent of the total, remained the most important category. Manufactured foodstuffs and semi-manufactures retained their position but finished manufactures made a slight gain. Particular items, the import value of which was considerably below that of the preceding year, were rubber, wood pulp and, specially, wool. On the other hand, gains were recorded in copper, tin, and non-ferrous metals in general, newsprint and petroleum and its products.

It may be expected that the reduction of trade values, caused mainly by raw cotton and tobacco on the export side and wool on the import side, will be halted as the large stocks built up in many countries during the post-Korean period are resuming more normal proportions. Signs of such a development were apparent during the last quarter of 1952.
In Canada, the 1952 value of exports rose on account of wheat, the leading export item, which increased by two-fifths over 1951 and other grains such as barley (which almost doubled), owing to record harvests at home and the rice shortage in the Far East. Other items, for which export values increased were wheat flour, newsprint, nickel, zinc and specially aluminium and copper, and products made from these non-ferrous metals. Sales of motorcars and electrical equipment to Latin America also contributed to raising the value of exports. But there were some decreases too, e.g. fish and products, farm implements and machinery, planks and boards and particularly wood pulp. Exports of cattle and beef suffered seriously, but they may be expected to recover since the danger of foot-and-mouth disease in Canada has largely receded.

In imports, the value of machinery, the most important item, has increased somewhat, and a major increase took place in respect of engines and boilers; other imports to increase were those of electrical apparatus, petroleum products, fruits and, specially, aircraft and parts. Decreases were recorded for petroleum, home production of which was rising fast, automobile parts except engines, coal, rolling mill products and cotton products. Imports of farm implements had the same value as the year before. In view of the development of industries calling for large outlays on capital goods, there is little likelihood that the pattern of imports will change much from its present, and increasing, emphasis on investment goods.

The trade position of the Latin American dollar countries depends entirely on world market conditions for a variety of foodstuffs and raw materials such as sugar (mainly Cuba, Costa Rica, Dominican Republic, Mexico, Nicaragua, Porto Rico, Colombia and Equador), coffee (mainly Colombia, El Salvador, Guatemala and Mexico), cotton (Mexico), petroleum, and ores and metals (Venezuela, Mexico). Owing to adverse market conditions for sugar and cotton in 1952, many of these countries did not reach the export levels of the preceding year and most of them took measures to restrict their imports accordingly. To an increasing degree these imports consist of investment goods. Thus, in spite of the drop in the total value of Mexico's imports, there were some notable increases in the import volume of motor-buses lorries and a decrease in motor-cars. Colombia is restricting her imports with a view to creating new industries in addition to her present textile factories and petroleum refineries; a plant which will make the country independent of imports of refined petroleum products is under construction.

CONTINENTAL WESTERN EUROPE AND ITS DEPENDENT OVERSEAS TERRITORIES

The balance of trade

The value of both exports and imports of the combined metropolitan area of continental Western Europe, shows remarkably little change from 1951 to 1952, with exports of $19,300 million and imports at $20,700 million (at f.o.b. 1)

1) Excluding Finland, Spain and Yugoslavia.
values). Because of the decline in the value of international trade, the share of the metropolitan area in it has, however, increased by nearly 1 per cent.

As regards exports, remarkable progress was made by Germany, now the leading exporter which accounts for more than one-fifth of the continent's total, whereas smaller, though still important, gains were made by Austria, Greece, the Netherlands and Turkey. Substantial reductions in exports occurred in Italy, Sweden, France and Belgium.

As regards imports, the more drastic changes were marked increases in Germany and Turkey and sharp reductions in the Netherlands and Switzerland. The resulting trade deficit (taking imports at f.o.b. values) for the metropolitan area, at over $1,400 million, was roughly the same as in 1951, in spite of major improvements in the balances of the Netherlands, Germany, Switzerland, Greece, Denmark and Austria; particularly severe deficits were incurred by Italy, Sweden and France.

From the beginning of 1950 to the middle of 1952, the rate of increase in the value of exports of the overseas territories has been similar to that of total international trade, and their share in it has remained about 3.5 per cent. There is no indication that the direction of their exports is changing, some 60 per cent going to the metropolitan countries or adjacent colonies and 12-15 per cent each to the sterling and dollar areas. Total imports into the dependent overseas territories have been rising, as well as the share of imports originating in the metropolitan countries; between the first halves of 1950 and 1952, this share showed an increase from 52 to 59 per cent, owing mainly to the increasingly close trade relations between France and other countries of the French Franc area.

The volume of trade

In the first three quarters of 1952, the volume of exports of the combined metropolitan countries diminished, but this reduction was compensated partly by a substantial increase in the last quarter, so that for the whole of 1952 the volume of exports was only 4 per cent below that of 1951. On the import side, the initial decline and subsequent rise during the year were even more pronounced. On balance, the volume of imports for the whole year was only 1 per cent higher than in 1951.

The direction of trade

In 1951, the proportion of total exports from the combined metropolitan area which remained in the region was lower than it had been in the previous year, whereas the share of total imports originating within the area had slightly increased. When the contraction of trade set in during the first half of 1952, the relative share of exports towards the members of the area

1) Although these territories are included among the "Rest of the World" in the preceding sections, they are here briefly discussed with the metropolitan countries.
remained nearly constant, whereas that of imports from the area rose somewhat. Trade within the area thus continues to account for just over two-fifths of both the total imports and total exports of its members.

In the second half of 1951, after the fall in the prices of raw materials, the trade deficit of continental Western Europe with the sterling area disappeared after having reached a maximum in the latter half of 1950 and the first half of 1951. In the first three quarters of 1952, however, the deficit began to re-appear, owing to the decline of exports from continental Western Europe and the continuous decrease, in each successive quarter, in the customary trade surplus vis-à-vis the United Kingdom. During the last quarter of 1952, imports from the United Kingdom showed a significant increase, while exports to the United Kingdom remained unchanged. As a result, the surplus in trade with that country disappeared and even turned into a small deficit.

Trade with the dollar countries has also undergone important changes during 1952. Imports from the United States of America, excluding the "special categories", decreased by over $400 million and almost all countries shared in the resulting reduction of the trade deficit with the United States of America. Although exports to the United States of America from continental Western Europe as a whole decreased by $54 million dollars, there were signs of a revival specially from Germany, in the last months of the year. On the other hand, imports from Canada exceeded their 1951 value by 42 per cent, reaching their highest level in the second half of the year, while exports to that country were slightly lower for the whole year although increasing substantially during the last quarter; the trade deficit with Canada has, therefore, nearly doubled. Nevertheless, the deficit of continental Western Europe vis-à-vis Canada and the United States of America taken together, has declined substantially, by over $200 million since 1951; but even after this reduction, the deficit still remained of the same magnitude as the value of total exports from continental Western Europe to North America.

Trade with Central America in 1952 has shown very little overall change, except for a tendency of imports into France to decline and an even stronger trend for exports from Germany to rise. During the same period, exports to South America fell by one-fifth and imports from that area by one-eighth, mainly on account of a decline in supplies to Germany. A small trade deficit was the result of these changes.

Exports to countries in Asia and Africa, outside the sterling area, remained nearly unchanged in value while imports from those countries declined by nearly a quarter. France's imports mainly accounted for this reduction.
The composition of trade

Even if overall values of continental Western Europe's imports and exports have changed little, the composition of trade has shown considerable alterations in 1952. The trade in some commodities, and the trade of certain countries were particularly affected by import restrictions and a slowing down of demand in certain sectors.

Thus, the volume of textile exports from Italy fell by nearly half and from France by 18 per cent, while the effect on the value of these particular exports has been even more drastic. The 18 per cent reduction in the volume of French textile exports implied a reduction in value by 42 per cent compared with 1951. Imports of textile raw materials and exports of yarn and finished textiles continued to decline throughout the first three quarters of 1952 in most countries, although they staged a strong come-back during the fourth.

In the food sector, French exports were reduced in volume by more than two-fifths, whereas the decrease in Italian exports of foodstuffs was concentrated mainly on some of the more highly priced items such as tomatoes and fruit which suffered a decline by one-tenth. On the other hand, countries mainly exporting dairy products, such as Denmark, Holland and Switzerland, and fish products (Norway) often sold larger quantities at higher prices.

International trade in raw materials in general has decreased in 1952. This reduction was due in part to the general decline in prices; and also to the fact that stocks, which have been built up to a considerable level after the events in Korea in 1950, were being heavily drawn upon. The trade of several continental European countries has thereby also been affected. This has been particularly the case for timber and related products, the decline in the price of which has had the most serious effects on the trade balances of Sweden and Finland. Judging by the fall in export prices, a similar decline seems to have taken place in respect of steel which had to meet growing international competition, specially after the effects of the United States steel strike had worn off. Similar developments in respect of non-ferrous metals affected mainly Belgium and France.

Reflecting the slackening pace of trade in consumer goods, exports of motor-cars decreased from at least two major sources, i.e. Italy and France.

Perhaps the main reason why the trade of continental Western Europe has, on balance, declined so little in 1952, has been the growth of the demand for industrial equipment which has favourably affected the export trade of practically every equipment producing country, including France and Italy. In particular, the orders for investment goods placed in Germany have increased, although toward the end of the year, there was a falling off in new export contracts. In this connection, it is interesting to record that nearly the whole increase in Germany's exports during 1952 has been on account of machinery and of transport equipment of all kinds.
THE UNITED KINGDOM AND THE OUTER STERLING AREA

The balance of trade

The value of exports of the sterling area as a whole in 1952 was about one-tenth lower than in 1951. Its imports, which in the first half of the year were higher than in the first half of 1951, fell substantially during the second half of 1952. While complete figures on the imports at f.o.b. values are not yet available for the full year, it may nevertheless be concluded from annual import data given at c.i.f. values that the trade deficit has diminished somewhat in 1952 since the previous year.

In this development the trade of the European members of the sterling area has played a major rôle insofar as their deficit was much smaller than in 1951, whereas the combined deficit of the outer sterling area was larger. The small size of the overall improvement has been due mostly to the unfavourable developments in the outer sterling area's terms of trade.

Whereas the United Kingdom accounted for a major part in the drop in imports, the worst setbacks in exports were suffered by Malaya, Hong Kong, and Pakistan; South Africa's and New Zealand's exports roughly maintained the value of the preceding year, while those of Australia, India and Ceylon fell by about one-fifth.

The volume of trade

Incomplete data for 1952 suggest that the volume of exports increased during the first half of the year for Ceylon, India and Australia, but fell again during the second half in Australia and India. Exports from the United Kingdom are estimated to have decreased by about 7 per cent for the whole year compared with 1951.

In spite of some initial increases in the first quarter of 1952, the general tendency of the volume of imports in the first three quarters has been downward, mainly as a result of import restrictions. During the last quarter, the decline was halted and in some cases even reversed. Ceylon's imports have been an exception; for much of 1952, they were well above 1951, ending the year at record levels. Imports of the United Kingdom for the whole year, have been about 9 per cent lower than in 1951.

The direction of trade

From 1950 to mid-1952, the relative shares of exports of the whole sterling area to major destinations have remained remarkably stable, the area itself retaining almost half of the combined exports of all its members and

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1) Burma's trade is discussed below with that of the Far Eastern countries.
sending just over one-fifth to non-sterling countries in Western Europe
and 14-16 per cent each to the dollar area and the rest of the world.

During this period, however, the share of the value of imports provided
by the area itself declined from half to about 46 per cent of the total.
At the same time, dollar imports into the area rose from one-sixth of the
total to one-fifth. The relative share of continental Western Europe,
including its overseas territories, in total imports, increased almost
exactly in the same proportion.

As regards the United Kingdom in particular, the value of her 1952
exports to the dollar area increased, since a rise by $70 million to the
United States more than outweighed a decline by $28 million to Canada, while
exports to Central America were almost unchanged and there was thus a reduction
in the trade deficit with the dollar area. The deficit with continental
Western Europe was also reduced due exclusively to lower imports, principally
from France and Italy.

The composition of trade

As already evident from the overall trade figures, 1952 has been par­
ticularly unfavourable to the exports of the overseas sterling area.

The revival of wool exports in the last four months of 1952 has been
the first sign of relief since the great fall which set in after the record
levels reached in the first half of 1951. But, although the value of wool
exports in July-December of 1952 has been higher than in the same period of
1951, the threat to wool from Latin American competition, growers in the
United States and from synthetic textile fibres continues and the
position of Australia and New Zealand, in whose exports in 1951-1952 wool
accounted for about half, therefore remains uncertain.

As regards Ceylon, in spite of a larger volume of exports of tea and
copra, earnings from each of these important staple export products, and
also from rubber, have been considerably lower than in 1951.

India's exports were severely hit on two counts: by the textile crisis
which affected her foreign markets for cotton fabrics and again by the
decline in shipments in general which resulted in a lower demand for jute
products.

The heaviest losses have probably been suffered by Pakistan, the value
of whose exports, mainly jute and cotton but also tea and hides, declined
to 70 per cent of the 1951 level, and by Malaya whose exports (rubber, tin
and copra) fell even more, to 65 per cent of the preceding year.
Changes in the commodity structure of the United Kingdom's exports have been pronounced, and the share of textiles has declined from 21 to 15 per cent between 1951 and 1952, whereas that of machinery and vehicles, and of iron and steel and their manufactures, increased from 43 to 48 per cent.

On the import side, some Far Eastern sterling area countries have been particularly affected by bad rice crops and the necessity to import rice from Burma and Siam at increasingly high prices, or wheat from the dollar area. All these countries have made plans to increase their food production. The exports of some of these countries suffered from import restrictions in the United Kingdom which affected most industrial raw materials. But, whereas non-sterling suppliers of raw materials (e.g. in Europe) found the losses on account of such exports partly compensated by increased exports of metals and machinery to the United Kingdom, the countries of the outer sterling area had no such compensation.

THE NON-DOLLAR COUNTRIES OF LATIN AMERICA

The trade position of the area

There is a marked difference in the development of the external trade of the dollar countries and the non-dollar countries of Latin America. From the beginning of 1950 to the middle of 1951, the value of exports from countries in both these groups followed roughly the increase in the value of international trade as a whole. But, whereas the value of exports from the dollar countries of Latin America continued at the same pace as world exports, the exports of the non-dollar countries declined so sharply that, by the middle of 1952, their value had receded to the pre-Korean level. Between 1950 and 1952, a maximum was reached in the first half of 1951, when the value of exports stood two-fifths above the first half of 1950. Although there has again been a slight increase in the second half of 1952, incomplete figures suggest that the total value of exports in that year may have been roughly one-quarter below that of 1951.

There was also a difference between the dollar and the non-dollar countries of Latin America as regards the development of their imports. Whereas, in the dollar countries, the value of imports increased by only about one-quarter from 1950 to 1951, the non-dollar countries experienced an increase in the value of imports of no less than 60 per cent. Between 1951 and 1952, both groups showed a slight decline.

Argentina accounts for most of the fall in the value of exports in 1952. After a sharp decline in the summer of 1951, the value of her exports has been showing little or no sign of recovery until recently, while the movement was accentuated by a similar, if less pronounced, recession in exports from Brazil which set in somewhat later, at the end of 1951.

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1) Argentina, Brazil, China, Paraguay, Peru and Uruguay.
The value of Argentina's imports had begun to decline, in the same way as exports, as from November 1951, whereas Brazil's imports rose to new high levels throughout the first six months of 1952, in spite of declining exports.

Comparing developments between the first half of 1950 and the first half of 1952, export values for the area as a whole were virtually the same, but there has been a steady improvement in the share of the total going to continental Western Europe, now about one-fourth, a practically unchanged share to the dollar area, roughly two-fifths, and a severe decline in exports to the sterling area, from one-fifth to less than one-tenth, mainly due to exports to the United Kingdom. Trade within the area became slightly more important, accounting for more than one-tenth, whereas exports to all other destinations showed little variation with the exception of some Far Eastern countries which showed a sudden rise in the first half of 1952.

On the import side, there was little or no change in the relative share of continental Western Europe, roughly one-third, to match the increase in exports to that area, whereas imports from the dollar area rose considerably. The share of the sterling area in total imports, on the other hand, declined in sympathy with that of exports to that area.

It seems that, in this period, trade with the dollar area has increased (imports from Canada making larger relative gains than those from the United States), but there are indications that, during the second half of 1952, there has been a change in this relationship. During that period, serious efforts were made by the Latin American countries to adjust imports to the reduced level of their exports and, more particularly, to take advantage of the improved outlook for the production of food and feeding stuffs in the area itself, specially in Argentina. There is, moreover, a decided tendency on the part of all countries in the area to develop their own basic resources, including agriculture, in order to effect permanent savings in dollar imports.

The position of selected countries

Argentina

The rise in the value of imports which outlasted the increase in the value of exports by several months, caused an unprecedented trade deficit which did not diminish until the second quarter of 1952; during the fourth quarter of that year, exports which had begun to improve again, as from August, managed to overtake imports which were still declining. Thanks to expected bumper crops of wheat and maize, much of which has already been disposed of, the export prospects are favourable. The volume of exports of relatively high-priced items, such as wool, hides and meat, declined less than the volume of the other main export products, or even increased, during 1952. In particular,
exports of wheat and flour practically disappeared, while linseed and linseed oil, and quebracho and cotton were both halved. Maize, on the other hand, increased.

There is a trend to save dollar imports and, in particular, supplies from the United States, by turning to other sources; in the first three quarters of 1952, the value of imports from the United States was one-third lower than in the corresponding period of 1951.

Brazil

There has been a record trade deficit in 1952, resulting in an accumulation of commercial debts which were estimated at $500 - $800 million by the end of the year. The deficit has been brought about by the seven months delay between the fall of exports and that of imports, already mentioned. Coffee prices were well maintained throughout the year, but there was a drop in the export volume of coffee during the first half. Owing to European import restrictions, 1952 cotton exports have been only one-fifth as large by volume as in the preceding year. Stocks at the end of the year were large, and the 1953 crop is expected to be considerable.

Attempts have been made to improve the position of export products, the prices of which (with the exception of coffee) were not competitive on world markets, by introducing in February 1953 a system of multiple exchange rates.

The restrictions on imports referred to were applied too late in the year to prevent the 1952 total from being slightly higher, both in volume and in value, than in the preceding year. Large increases were recorded for machinery, engines and generators, lorries and tractors, chemicals and pharmaceutical products, and paper. Imports of raw materials and fuel rose only slightly, whereas those of less essential goods changed very little; motorcars increased somewhat. Over two-fifths of imports came from the United States of America, nearly one-tenth from Germany, now the second largest supplier, and somewhat less than one-tenth from the United Kingdom. Dollar imports may fall, now that Argentina has resumed wheat exports: 1.5 million tons have already been purchased for delivery in 1953 in part settlement of Brazil's accumulated claims; this dollar saving may become permanent if the plan to make the country independent of foreign wheat supplies is realized.

Uruguay

As a result of the carry-over of heavy import orders placed in the preceding year, 1952 imports were relatively high in the first quarter, but fell later on. Exports were very low at the beginning of 1952 because of difficulties in disposing of the wool clip and the suspension of meat shipments to the United Kingdom. However, they began to increase substantially from mid-year onwards, mainly on account of the higher wool prices prevailing in the latter half of the year. As a result, the 1952 trade deficit was only about one-third of what it had been in 1951.
Chile

The country's trading position depends on the price and export availabilities of copper and nitrates, which accounted for 50 per cent and 25 per cent, respectively, of the value of total exports in 1950. In May 1952, the agreement concerning the sale of copper to the United States of America which had been in force for one year, was terminated. However, it would appear from incomplete data that Chile's copper supplies to that country have not been adversely affected by the cessation of the arrangement's previously existing. During the first half of 1952, the 1951 rate of exports to the United States was maintained, and it would seem that supplies during the second half of 1952 have been roughly one-third larger than in the corresponding period of 1951.

In the late 1920's, Chile was supplying about one-quarter of the world consumption of nitrogen (N content) for agricultural purposes. Before the War, this proportion had dropped to less than one-tenth, and in 1951/52, it had further dropped to about 6 per cent. This decline is mainly due to the development of synthetic nitrogen production which continues to develop fast. In addition to the sharp rise in output in North America and most European countries and in Japan, it may be noted that less industrialized countries also participate in this trend. New plants in India and Egypt have recently started operations. In these conditions, the importance of nitrates as an export product from Chile is likely to decrease further in the long run.

The country's foreign trade position will improve if it succeeds in its plans to become self-sufficient in the production of foodstuffs; in 1951, imports of all agricultural items accounted for almost one-fourth of total imports.
THE COUNTRIES OF EASTERN EUROPE AND THE MAINLAND OF CHINA

The share in international trade

By the middle of 1952 the combined share in international trade of these countries had fallen to 2 per cent. Nevertheless, the value of Eastern Europe's exports to outside destinations has been increasing steadily from about $860 million in 1950 to about $1,200 million (at an annual rate) in the first half of 1952; exports from the mainland of China, however, declined from $480 million in 1950 to $300 million in the first half of 1952 (annual rate). The limited impact of the region's external trading activities on total international trade, is in sharp contrast with the fact that trade is large and, moreover, increasing strongly. In 1951, exchanges with other members of the group accounted for 100 per cent of both total imports and exports for at least one country, Albania, and for 60 per cent or more for the others; in the case of the USSR, this proportion was 80 per cent in 1952. 2)

As regards trade relations with the outside world, the exports of Eastern Europe have been increasing most strongly towards some Scandinavian countries, the European sterling area and the Middle East while they declined relatively towards the rest of continental Western Europe although the latter group of countries still absorbs almost half of Eastern Europe's exports.

As regards the imports into Eastern Europe, a certain growth has been noticeable in supplies from continental Western Europe, the European sterling area and the Middle East. Imports from the dollar area are now reduced to practically nil, while exports to it, were at the annual rate of about $50 million in the first half of 1952.

The trade of the Chinese mainland with countries outside the group appears to be diminishing steadily and to converge more and more on Far Eastern sterling countries and dependencies, specially Hong Kong.

The scarce data on the composition of foreign trade of the area, excluding trade among its members, suggest that, in the trade of Eastern Europe with Western Europe, its most important outside trading partner, exports of industrial raw materials such as coal, timber and steel, have decreased considerably in 1952 whereas those of some foodstuffs, such as grains, sugar and eggs, have increased somewhat. Imports from the Western European countries (the value of which in 1952 was similar to that in 1951) retained on the whole their previous composition, although machinery and transport equipment declined from 35 per cent of the total to 30 per cent.

1) Albania, Bulgaria, Czechoslovakia, Eastern Germany, Hungary, Poland, Rumania and the USSR.

THE NON-STELtLING COUNTRIES OF THE MIDDLE EAST

The region's trade position

The rapid development of the region's petroleum resources has resulted in a record level in the value of exports which amounted during the first half of 1951 to $1,100 million, or 3 per cent of total world exports. In the half year preceding the events in Korea, this proportion had been somewhat lower. During the first half of 1952 it had again declined to about 2 per cent, following the nationalization of the Iranian oil industry and the loss to world trade of its more highly priced refined products. The resulting loss in value was not offset by the subsequent increase in crude oil exports from the rest of the area. The increase in production from 1951 to 1952 (including countries belonging to the sterling area such as Iraq, Bahrain and Kuwait) was still some 40 per cent below the record Iranian output of crude oil in 1950. Another important factor depressing earnings from foreign trade has been the decrease in the world market price of cotton which affected the trade of Syria, Iran, Iraq and, particularly, Egypt.

In the second half of 1952 the region's share in world exports has probably increased again owing to the continued growth of oil production and refining capacity and the more stable, if low, level of Egyptian exports.

The region's trade surplus of $259 million in 1951 was due to a record value of exports in the first half of that year. While imports thereafter continued to increase further and reached their highest levels since the War, the value of exports fell to such an extent that the trade surplus was almost completely eliminated at the end of the year and even turned into a deficit of $115 million during the first half of 1952 which was caused to a great extent by the further decline of cotton exports.

The direction of trade

The most striking recent change in the direction of the region's trade up to mid-1952 has been the lowering of the share of exports to the sterling area which in the first half of 1950 amounted to 44 per cent of total exports, but declined to 40 per cent in the same period one year later and to 35 per cent in the first six months of 1952; although this development affected trade with the whole sterling area, exports to its European members declined more than those to the overseas members. The share of the OEEC countries of continental Western Europe has also declined somewhat so that the combined relative reduction in exports to these two general destinations amounted to 14 per cent within two years. The share of exports going to Japan, the United States of America and some countries in Western Europe has increased particularly.

1) Anglo-Egyptian Sudan, Egypt, Ethiopia, Iran, Israel, Lebanon, Saudi Arabia and Syria.

2) At the end of 1951, Iran accounted for half the refining capacity of the Middle East as a whole.
During the second half of 1951, imports from the sterling area began to decline also but this was accompanied by an increase in the share of continental Western Europe, which gave rise to an appreciable trade deficit vis-à-vis the latter area. This deficit has added to the even more substantial, and regular, deficit which exists in trade with the United States of America.

SELECTED EASTERN COUNTRIES AND JAPAN

The trade position of the basic material producing countries

A sharp difference is noticeable in the fortunes in international trade of the countries exporting rice (in the first place Burma, and also Siam) and others exporting mainly industrial raw materials. A large increase has occurred in the demand for rice from Japan, Indonesia and the Philippines, which has enabled Burma and Siam to sell the product at continuously increasing prices. Burma’s main export product being rice, (88 per cent of the value of total exports in 1950 and 77 per cent in 1951) she suffered relatively little compared to the countries exporting other raw materials. Her export surplus of 1951 could have been bettered in 1952 if the volume exported had not been much smaller than the year before. With imports well above the value of 1951, trade, during the first nine months of 1952, has been practically in balance in contrast with the appreciable surplus in the same period of 1951.

In Siam, whose export trade consists to a much smaller extent of rice (52 per cent of total exports in 1951), the export surplus in 1951 changed in 1952 to a considerable deficit due to higher imports. The decline in exports in the second half of the year may have been partly caused by export restrictions on rice imposed to create a national food reserve; their value was further impaired by the continued fall in the price of rubber, the second most important export product (22 per cent of the total value of exports in 1950).

The extraordinary increase in the price of rice, which was partly due to the political events of 1950 and has since been sustained by unfavourable crops of other foodstuffs, has added to the adverse effects of price movements in world markets of raw materials such as rubber, tin, copra, abaca and sugar upon Indonesia and the Philippines in particular.

Indonesia’s trade shows the familiar pattern of many other countries exporting raw materials to world markets. The value of exports reached a peak in the first half year and a maximum in the second quarter of 1951, while imports continued to increase. The fall in export proceeds in the third

1) In the second half of 1952 the export price of Burma rice was 31 per cent above the 1951 level.
quarter of 1951 was, however, particularly serious, and measures to restrict imports were introduced and were not relaxed when exports made a temporary recovery (rubber and copra in particular) at the end of the year. The policy has resulted in an approximate equality for 1952 as a whole between the value of exports and imports, as compared to a surplus of $453 million in 1951.

After the devaluation of the Indonesian currency at the beginning of 1952, most principal export products have achieved better results in the first half of the year: thus the quantity of rubber sold to the United States in the first half of 1952 was nearly the same as that sold during the whole of 1951, but this was an exception. Rubber exports to all other destinations were much lower, specially to all sterling countries and Japan. In addition, export prices ended the year at less than half the price of their average level during 1951. The cessation of rubber stock-piling and the subsequent de-control of imports into the United States were welcomed, specially since the fall in the price of rubber and the devaluation had increased the competitive position vis-à-vis synthetic rubber. However, the future position is uncertain since de-control in the United States took place on the condition that a certain minimum level of synthetic production be maintained. Moreover, the recent decision to sell government-owned synthetic rubber plants to private interests and to let the product find its own production level and prices, has had a depressing effect on the price of rubber. Exports of copra suffered an even greater decline in volume, although export prices did not drop to the same extent as those of rubber. As with rubber, the long-term outlook for copra is uncertain owing to the increasing use of synthetic detergents in the soap industries, mostly produced from petroleum, while the present abundance of cotton seed crops also impairs the current position of the product.

The volume of Indonesia's tin exports in 1952 has been about 10 per cent higher, and average sales prices some 10 per cent lower than in 1951. A contract with the United States for the sale at fixed prices of more than one-half of Indonesia's tin production for 1952-1953 has been concluded.

The value of Philippine imports and exports in 1952 was reduced, and the trade deficit, although not very much lower than in the preceding year, practically disappeared in the last quarter as a result of import restrictions. The Philippines are the largest producer and exporter of copra of the region, exporting in 1951 nearly twice as much as Indonesia and four-and-a-half times as much as Ceylon or Malaya. The remarks made above on the difficulties facing copra which in 1951 accounted for 46 per cent of total exports therefore apply particularly to this country which is also, more than others, dependent on the market in the United States. Prices for Philippine copra were considerably lower in the first three quarters of 1952 while the volume of exports dropped 17 per cent below the 1951 level. However, there was an improvement in prices during the last quarter of the year. The relatively favourable overall results of the Philippines trade during the first six months of 1952 have been due mainly to sugar, the exports of which increased, thus regaining first place among the export goods which it had held before the War.
Exports of abaca (one-sixth of total exports in 1951) have, after the War, been increasing rapidly in volume but their value was severely affected by the price fall in 1951 which, in this case, continued to the third quarter of 1952 showing a gradual improvement thereafter.

The direction and composition of trade

After the War, the trade of Burma became concentrated more and more upon the Far East. The share of Japan in imports was 9 per cent in 1937 and 18 per cent in 1951 whereas that of the largest outside supplier, i.e. the United Kingdom, which had been 20 per cent became 16 per cent. In 1952, the position may have changed since, in the first half, trade with Japan declined sharply while trade with the United Kingdom appeared to be increasing.

Until the end of 1951, Indonesia's trade consisted increasingly of exchanges with other countries in its own region, but in the first three quarters of 1952, imports from the United Kingdom and Germany and exports to the Netherlands and the United States of America again showed considerable progress, in addition to the steady increase in trade with Japan.

The position of the United States of America as a market for exports from the Philippines was still predominant in 1951, although there has been a steady decrease from the four-fifths share of 1937 to about three-fifths; but in the first seven months of 1952 there was again a considerable increase in the United States share, followed, however, by a very sharp decline in August-September which coincided with an increase in exports to Japan, which had already been above 1951 levels throughout the year.

Insofar as data on the composition of trade of these countries in 1952 are available, the indications are that the imports restrictions have, in general, affected consumer goods, with the exception of foodstuffs, more heavily than capital goods and industrial raw materials, such as fuel, the imports of which were well sustained and, in some cases, even increased.

Japan

In 1952 the trade deficit was the highest since the War.

Compared with previous years it was the first time after the War that a decline took place in the value of exports, which declined by 6 per cent from 1951 to 1952, while the stationary value of imports seems to indicate that the strong upward movement of recent years has come to an end. The impulse given by the Korean war, which was the immediate cause of the more recent increases in imports, culminated during the second quarter of 1951. The rise in exports, which also reached a maximum in 1951 had, by the end of that year, lost its momentum and, in 1952, there was a more or less continuous decline. The value
of imports did not fall as fast as the value of exports, owing to the inflexibility of foodstuffs and raw material requirements and the high prices which had to be paid for the latter; the resulting high production costs of many Japanese industries have induced exporters to make sharp price reductions for export goods, in spite of the adverse effects of this policy on export earnings.

In the last three years, Japan's exports have shown an increasing tendency to flow towards the sterling area. During the first half of 1952, this area received more than half of total Japanese exports of which the largest part were destined for the non-European member countries. After the payments agreement of August 1951, under which it was agreed that Japan and the sterling area would accept each other's currency for trade settlements without limit, Japan's exports began to increase vigorously. This was followed by a similar, though much less extensive, movement of imports from the sterling area some months later. By April 1952, the accumulation of sterling credit by Japan was such that exports to the sterling area began to be discouraged, a tendency which was reinforced by import restrictions on Japanese textiles in British Colonies. Japan began to import much greater quantities of sterling area raw materials, specially of wool, tin and rubber. At the end of the third quarter, the accumulation of sterling was halted and during the fourth a decline set in. Sterling imports into Japan continued at fairly high levels while exports continued to fall. The current six-monthly import programme (April-October 1953) plans for a reduction in imports from the sterling area by $300 million. This decline, if realised, would reduce the sterling area's share in Japan's imports from nearly a third in 1952 to a quarter.

The trade deficit with the dollar area, which is mainly due to dependence on industrial raw materials and fuels, reached a maximum during the first half of 1952, when Japan's imports were four times the value of her exports to the area. Textiles and silk, ceramics, steel and various foodstuffs accounted for most of Japan's supplies to dollar countries.

Trade with all remaining countries (the so-called Open Account Area) specially in relations with other Far Eastern countries not belonging to the sterling area, has witnessed the accumulation of a substantial trade surplus in favour of Japan between May 1951 and July 1952. This balance was largest during the last quarter of 1951, but then began to decline until, as from July 1952, approximate equality in the value of imports and exports was maintained. For the current six-monthly period it is planned to increase imports from these countries which, in 1952, have amounted to about 13 per cent of total imports. Although efforts are being made to expand this particular trade, Japan is not equipped to assist these countries in the procurement of the capital needed to develop the output of raw materials which Japan requires. The products of her heavy industries are
under strong competition from American, British and European sources.

The most important changes which occurred in the composition of Japan's exports during 1952, were the decline in exports of textiles, mainly cotton and also of all other varieties, except raw silk and silk goods, and the increase in the exports of food and beverages and specially of iron and steel. This last item, nearly one-fourth of the total value of exports in 1952, has become the most important single export category.
PART II

TRADE BARRIERS AND CONTROLS

Governmental Intervention in International Trade

This part of the report reviews the principal events of the past year or two in the application of trade barriers and controls. It is a review of measures and agreements - not a catalogue. Only the salient facts have been selected in order to indicate tendencies and illustrate policies which affect the direction, composition and volume of world trade.

The information available for the preparation of this review is limited and quite inadequate for a full survey of governmental measures. Under the Havana Charter, the secretariat of the International Trade Organization would have received regularly from its members copies of all laws and regulations pertaining to tariffs and quantitative restrictions and details of subsidy payments and agreements between governments affecting trade. But no provision is contained in the General Agreement on Tariffs and Trade for the supply of such information by the contracting parties. However, in its work of servicing the annual sessions of the CONTRACTING PARTIES, the GATT secretariat has acquired documentation which, together with information garnered from other sources, provides the material for this review.

The sections on customs tariffs and quantitative restrictions have been prepared in the light of earlier reports on these subjects to which the reader is referred if he wishes to obtain background information on changes in tariffs and the use of restrictions since the War. This review is devoted to the changes which took place in 1952 and the early months of 1953. In addition, the section on customs tariffs contains a note on the measurement of tariff levels. The structure of the sections on subsidies and bilateral trade agreements is somewhat different: since this is the first occasion on which the CONTRACTING PARTIES have published a report dealing with subsidies and trade agreements, it has been considered useful to describe the policies pursued by governments in recent years, rather than just the changes introduced in the past year or two.
Since the close of the Second World War, especially in the years 1948 to 1951, great strides have been taken under the General Agreement on Tariffs and Trade in reducing the level of import duties. Nearly all of the reductions negotiated at the Torquay Tariff Conference in 1951 have been brought into force, but since that time there have been only a few isolated instances of decreases. New tendencies are now discernible. Although the General Agreement stands as a stabilizing force for a large section of world tariffs, there is a distinct trend towards the imposition of higher protective and fiscal duties in the unbound sectors of the tariffs of the contracting parties and in the tariff legislation of other countries.

Duty reductions -

Some of the tariff reductions affected during the past year were intended to promote industry by facilitating the importation of semi-finished goods or capital equipment. Examples are the reduction on machines by Brazil, on umbrella cloth by India and, more important, the French suspension of duties on many types of machines. As an anti-inflationary measure, duties have been suspended temporarily by administrative action: Brazil and France have occasionally admitted duty-free imports of foodstuffs and basic products.

In November 1951 the contracting parties to the General Agreement established a procedure for the conduct of negotiations between governments wishing to exchange tariff concessions and to incorporate the resulting bindings of duties in their GATT schedules. Under this procedure Germany has conducted negotiations with South Africa and Austria, the agreed tariff reductions entering into force in May 1952 and May 1953 respectively. Other pairs of contracting parties have carried out negotiations but have not added the resulting concessions to their obligations under the General Agreement; these are France with Haiti and Germany with Turkey and Belgium. All of these negotiations were very limited in scope, but the agreement on tariffs between Germany and Switzerland, which is not a contracting party, was far more extensive. Also the United States and France concluded tariff agreements with Venezuela.

The members of the European Coal and Steel Community - Belgium, Luxemburg, Netherlands, France, Germany and Italy - have made special arrangements for the removal of customs duties among themselves on coal and steel products. In February 1953, the common market was established for coal, iron ore and scrap, and simultaneously all customs duties between the member countries were eliminated on these products. Similarly on 1 May, the
duties disappeared on the movement of the steel products covered by the Treaty.

- and increases

The manufacture of textiles is the industry which has been most favoured with increases in tariffs. 1951/52 was a critical period for this industry and many governments accorded increased protection. Ireland, Egypt and Mexico have to be mentioned in this connection, and also several contracting parties whose textile duties were not all bound in the GATT schedules—Australia, India, Pakistan and Peru. The trend to increase duties has extended to other items. The most extreme case is that of Guatemala which has increased most of its import duties by 100 and some by as much as 400 per cent. Several contracting parties have raised some of their unbound rates, for example, Australia on motors, Brazil on petroleum products and India on luxury foods, certain machines and motor cars. Another type of tariff increase is the application of anti-dumping duties by Australia on nylons and by Canada on Polish and Czechoslovakian goods.

The maximum rates inscribed in the GATT schedules are not always applied and on many such items the duties have been increased within the limits authorized. A good illustration is Italy which has never applied all the rates of its legal tariff nor all the rates permitted under its GATT schedule. The temporary tariff based on administrative measures has been changed several times since 1950, generally upwards, but in November 1951 most of the rates were reduced by 10 per cent in view of Italy's increasing surpluses in the European Payments Union. Recent changes have tended to bring the rates in force closer to the legal and contractual rates. Some increases by other countries have come about through the withdrawal of duty suspensions: by the end of 1952, Austria had withdrawn most of the suspensions affecting some 400 items; Benelux withdrew the suspensions on organic colours in 1952 and considerably reduced the number of suspensions at the beginning of 1953; Canada withdrew suspensions on certain chemicals; and France restored the duties on textiles, chemicals and paper products, and reduced the suspensions on others, for example, on organic dye-stuffs.

During the past two years there have been a few increases of bound duties under the "escape clause" of the General Agreement which permits emergency action in certain circumstances on imports of particular products. Under these provisions, the United States Government increased the duties in February and August 1952 on hatters' fur and dried figs above the rates provided for in its GATT schedule. Under the retaliation provisions of the same clause, the Governments of Belgium and Turkey, with which the United States concessions had been initially negotiated, raised the duties on

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1) The waiver of obligations under the General Agreement, accorded to the members of the Community in November 1952, is described on page...
certain items on which they had granted concessions to the United States: these increases, however, apply only to imports from the United States, the GATT rates remaining bound in respect of trade with all other contracting parties. The Belgian measure, applied in May 1952, affected the duty on putty, while the action by Turkey, February 1953, affected office furniture and machines, typewriters and refrigerators.

Tariff reform

The never-ending process of adjusting customs tariffs to the needs of the present continued through 1952. The most important revision was that of Norway, where many specific duties were either increased or altered to ad valorem rates. Most European tariffs have now been changed over to an ad valorem basis, in view of its greater suitability in times of fluctuating values. In the event of currency devaluation there is another means, under the General Agreement, of redressing the incidence of specific duties: if the par value, accepted by the International Monetary Fund is reduced by more than 20 per cent, the duties can be raised proportionately if approved by the CONTRACTING PARTIES. This was done for some twenty items by Netherlands in December 1951. Some countries, such as Chile and Finland, which apply customs duties on a gold basis, have altered their conversion coefficients in accordance with changes in currency values.

A more extensive reconstruction of tariffs will result from adherence to the Brussels Convention of December 1950 on a nomenclature for the classification of goods. Most of the West European countries have signed this Convention and have thus assumed an obligation to introduce the new nomenclature at some not distant date. Some countries, such as Benelux, France, Germany and Italy, will not encounter great difficulties in adopting this nomenclature as their present tariffs are constructed on the same principles. For others, in particular the United Kingdom, its adoption will bring about a greater change in system. The nomenclature of the Belgian Congo tariff was revised to conform to the Brussels nomenclature with effect from 1 July 1952.

Important tariff reforms are projected by Denmark, Czechoslovakia, Nicaragua, Philippines and Switzerland.

Other charges levied on importation

In many countries imports are subject to taxes, fees and charges which may constitute additions to the customs tariff. These include statistical and other charges to reimburse the customs administration the cost of services rendered. One such tax recently imposed is the 0.4 per cent levy on all imports and exports by the Government of France to provide funds for assistance to farmers.
Another form of taxation of imports is intended to compensate for internal taxes levied on home-produced goods. Under the provisions of the General Agreement countries may levy such compensatory taxes provided they do not exceed those applied directly or indirectly to like domestic products. The levy of a compensatory charge on imports may be a complicated matter if the internal transmission or turnover tax is levied at several stages in the process of production. Germany in 1952 and Belgium early in 1953 adjusted their taxes on imports to take into account the levies imposed on certain products at various stages of manufacture. Compensation taxes raise delicate problems some of which have been examined by a group of experts on behalf of the European Coal and Steel Community.

Many governments, in connection with their import and exchange controls, have introduced multiple currency practices—higher rates of exchange being charged on payments for imports which are considered less essential. Multiple rates are commonly used in Latin America and by several countries of the Near East and Asia. The differential treatment thus afforded to imports of various classes may also take the form of a levy on foreign exchange sold to importers. Under the Indonesian system in force since February 1952, for example, importers are required to purchase "inducement certificates" along with the foreign exchange for payment for their imports; different rates are charged according to the nature of the goods imported and the currency in which payment is made. These multiple currency practices and exchange surcharges inevitably have the effect (however unintentional this may be) of affording added protection for producers of "non-essential" goods.

Another special levy on imports was the Greek "contribution" system, first introduced in November 1951, whereunder differential rates were charged on the value of the imports of various articles. The rates varied from 25 to 200 per cent and the list of items was changed several times. This system was abolished in April 1953 at the time of the devaluation of the drachma.

Export levies

Heavy charges on exports of industrial materials and some foodstuffs from the countries of production have been a prominent feature of the past three years. They were levied principally as fiscal and anti-inflationary measures during the period of high prices. Since the downturn in price levels the rates of tax have been reduced and many of them have been abolished.

Export duties were reduced on many materials for the textile industry. In India the duty on hessian, which had been raised from 40 rupees per ton in 1949 to 1,500 rupees in 1950, was reduced to 175 rupees per ton by May 1952. The Indian export duty on raw wool was also reduced. Indonesia reduced

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1) The hearing of a complaint against this tax at the Seventh Session of the CONTRACTING PARTIES is described on page ...
duties on sisal, cantalla and abaca; Pakistan on wool and jute; and Egypt reduced its export duty on cotton temporarily to expedite the sale of the previous crop. On other materials and foods, duties have also been reduced - on peanut oil and certain seeds by India and on palm oil and kernel, copra and rubber by Indonesia. Denmark has abolished its duties on exports of meat and cattle.

In 1951, following the great increase in prices of wood and wood products on international markets, the Governments of Norway, Sweden and Finland imposed duties on the exportation of these products. It was said that these measures were intended to be counter-inflationary, and point is given to this contention by the fact that, at one stage, the Governments undertook to hold the proceeds of the tax and to refund them on another occasion when prices might be unduly low. Considering that the prices were too high, the United Kingdom, a principal importer, curtailed the issue of licences for imports from Scandinavian sources and, in 1952, in order to maintain their sales, the three Governments abolished the duties.

Finally, the tax of 1 to 3 per cent on exports of most articles from Belgium, introduced at the end of 1951 in order to cut down an unwanted credit in the European Payments Union, should be mentioned. The first modification in this tax resulted from Belgium's special relations with Luxemburg and the Netherlands: exports to the former were exempted and for exports to the Netherlands the tax was reduced to one per cent. In March 1952, with an increasing creditor position in the EPU, Belgium attempted to divert her exports from Europe and to stimulate dollar earnings by abolishing the tax for all exports payable in United States or Canadian dollars. As the situation improved, the duty was abolished for many items and reduced to two per cent for others. It was withdrawn in February 1953.\(^1\)

**Measurement of tariff levels**

There is no very satisfactory method of measuring the incidence of customs tariffs, but an attempt was made by the League of Nations in preparation for the World Economic Conference of 1927. Tariff level indices were compiled for a score of countries by two methods. Under method A, 78 commodities were selected as representing a fair sample of the goods of which international trade is composed, including foodstuffs, raw materials, semi-finished goods and manufactures. For each country the average import value of each commodity was ascertained by dividing the value of total imports by the quantity, and by this means the specific duties were converted to an ad valorem basis. The index of the level of the tariff was then calculated by taking the simple arithmetic average of the ad valorem duties. Method B was based on export instead of import values. The most

\(^1\) The restrictions imposed on dollar imports during the same period and in order to correct the same situation are described on page
representative articles exported from fourteen countries were selected - a total of 278. The average export price of each article was ascertained by dividing the export values by the quantities. Thus, under this method the same set of prices was applied to all the tariffs being measured. The ad valorem rates imposed by each country were then calculated and these were averaged to provide the required index.

Some of the indices calculated by these two methods are reproduced on page . In theory method B is superior to method A, but in fact there is not a great difference between the two results: they provide an effective check upon each other. The index calculated by method B is usually slightly higher, but this would be expected since export prices are lower than import values by the costs of transport, etc.

An index of tariff levels can be established for 1952 by virtue of calculations made by ten of the same countries in connection with the French plan for tariff reduction described on page . In 1952 these governments calculated the arithmetic averages of the rates of duty on the products which fall under each of the 570 items of the Standard International Trade Classification. The results of these calculations on items corresponding to the 78 commodities, which formed the basis of the League study under method A, have been averaged in order to produce an index for 1952 roughly comparable with the results obtained by the League for 1913 and 1925. This index appears together with the League indices on page .

It will be observed that the three series of indices are arithmetic averages of actual, estimated or averaged rates of duty. Weighted averages might be expected to yield more accurate results. The League of Nations calculated weighted averages of the rates established for method B, but the results were not very different from the arithmetic averages. It may also be recorded that in 1952 one of the governments calculated weighted averages of its rates of duty, but here also the results did not differ markedly from the arithmetic averages.

The report by the League of Nations contains a warning to the reader against attributing to the indices a greater precision or a more absolute character than can be properly claimed for them. This warning must be repeated here. The difficulties involved in the calculations are so serious that a large margin of error must be allowed. Moreover, great importance should not be attached to any single figure. Much more important are the ratios which the figures bear to one another. Therefore, these indices should not be taken to indicate that a tariff was, in any particular year, at an expressed level, but rather that it bore a certain relationship to the tariff previously or subsequently in force in the same country and to the tariffs of other countries. The indices are only indicative and illustrative, and they refer to a particular conception and definition of the term tariff level. This term was defined by the League of Nations as meaning 'a magnitude which is equal
to the average of the percentages which the duties imposed by any given country constitute of the values of the commodities which go to compose the whole catena of goods normally entering into international trade".

These indices indicate that the tariffs of North America and Scandinavia were lower in 1952 than in 1925, while those of the United Kingdom and other countries of Western Europe were higher. This, however, does not disclose the extent of tariff reductions brought about from 1947 to 1951 under the General Agreement on Tariffs and Trade, since it has not been possible to establish indices to show the great increase in tariffs which took place between 1925 and 1939. All ten tariffs would show a reduction in a comparison between 1947 and 1952.
THE AVERAGE INCIDENCE OF CUSTOMS DUTIES ON A REPRESENTATIVE GROUP OF ARTICLES IN INTERNATIONAL TRADE

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<th>1913</th>
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<th>1952</th>
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<td>Germany 3)</td>
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<td>1914:17 (16)</td>
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1) The indices for 1913 and 1925 are those published by the League of Nations in 1927 in a report entitled Tariff Level Indices. They were calculated by two different methods, A and B; the results of the calculation by method B are in parentheses.

2) The indices for 1952 have been calculated by methods explained in the text, on the basis of computations furnished by the governments concerned.

3) The index for 1952 relates to the Federal Republic of Germany.

4) The League of Nations found that the import values for Italy in the year 1913 were not utilizable; therefore no index was established by method A. The index for 1952 is based on the legal tariff, which was higher than the tariff in force.

5) In 1913 the United Kingdom had no customs tariff other than fiscal duties. For 1925 no calculation was made by method A.
This brief survey of subsidies, directly or indirectly affecting international trade, is based chiefly upon information furnished by contracting parties to the General Agreement and makes no pretence to be exhaustive. Frequently the facts of subsidization are not well-known outside the countries in which the subsidies are granted since the actions of governments in this field receive less publicity than measures, such as tariffs and restrictions, which act as direct controls on the flow of trade. The subsidization of products entering into international trade, even though granted indirectly to benefit those engaged in production, will obviously affect the volume of trade: in a country normally exporting the product the exports will be larger than they would otherwise be, and in a country which normally imports the product the volume of imports will be reduced.

In a world free from import restrictions, subsidies on their present scale would be a far more important factor in international trade than they are today. Countries which apply quantitative restrictions because of balance-of-payment difficulties can ward off the competition of a subsidized foreign product in their own territories by maintaining restrictions on its importation, but their producers cannot compete on equal terms with the subsidized product in other markets. It is in these third markets that the effects of subsidies are mainly felt in present circumstances. An illustration is provided by the effect of the United States subsidization of sultanas on the trade of Greece: the Greek industry is not concerned with an encroachment on its domestic market - which could easily be protected - but with its markets abroad in which its sultana exports are suffering injury through the United States subsidy. The hard-currency countries, on the other hand, might contend that they grant a subsidy in order to recapture or maintain their traditional share of the total world market and that if quantitative restrictions were removed their need to subsidize would disappear.

Export subsidies

Direct subsidies on exports are granted on a substantial scale by the United States Government. Cotton exports receive 10¢ a bale, and dried raisins, prunes, fresh apples, pears, oranges, grapefruit, orange juice and other citrus products receive a percentage (usually 40 to 50 per cent) of the export sales price. These subsidies aim at relieving the internal market of a portion of the supply in order to support the price. Another measure of price support is the purchase of farm produce by the...
Commodity Credit Corporation, followed by export - for example dry edible beans, dried whole eggs, non-fat milk solids and white potatoes - at prices lower than those paid: the trading loss sustained is the measure of the subsidization.

There are many other forms of subsidy intended to promote exports either directly by cash benefits or indirectly by assisting export industries. Producers located at long distances from their markets or ports of shipment frequently receive assistance by direct payment or by reduced transport charges: in the Belgian Congo the producers of palm oil in remote inland stations benefit by a subsidy in order to improve their competitive position, and in Western Canada, coal producers receive a subsidy on exports to destinations other than the United States. Freight subsidies are not uncommon, particularly in countries where the railway system is owned by the state; in South Africa, for example, special rates are charged on a number of commodities when shipped by rail for export. Other forms of assistance, which must be classified among export subsidization measures, include low-cost credit and insurance facilities and the grant of priorities to acquire supplies of controlled scarce materials when producing for export.

The refund of excise taxes on goods sold abroad which is now almost a universal practice, is not regarded under the provisions of the General Agreement on Tariffs and Trade as an export subsidy. The refund of other taxes and charges is also not uncommon.

Dollar retention schemes

A new form of subsidy has arisen in postwar years in connection with the operation of exchange controls and import restrictions; these are commonly known as "dollar retention" or "dollar bonus" schemes. In substantially similar form, such schemes are operated by Austria, Denmark, France, Germany, Japan, Italy, Netherlands and, until recently for certain products, by Sweden. Although they vary in detail, their one fundamental characteristic is the departure from the principle of compulsory surrender of all foreign exchange accruing from exports in order to allow exporters to dispose of a certain percentage of dollars earned on current transactions either to purchase dollar goods or to sell this right to an importer. The advantage to the exporter - the subsidy - lies in the premium or bonus which his "retained" dollars can command, if he prefers to sell them together with the attached importing rights, or in the profit which he can earn by importing scarce dollar goods. (In Denmark dollar exports give title to import licences for goods originating in EPU countries up to a value equal to 10 per cent of the dollars earned.) Exports are thereby subsidized to the extent that the proceeds exceed the amount of national currency which would otherwise have been received.
It seems that the attractiveness of these practices to governments has waned in recent months. Towards the end of 1952, Norway and Finland abolished their retention schemes, and Sweden likewise terminated the retention quota granted to exporters of dairy products to the dollar area. It appears that some countries, among them Denmark which has operated a scheme with considerable success, have introduced such schemes in self-defence against the effects of similar measures in neighbouring countries. Governments, finding that national products were being exported to other soft-currency countries, which were operating dollar incentive schemes for re-export to the dollar area, took steps to encourage direct sale for hard currency. Insofar as the success of such schemes is due to the capture of that portion of the dollar market which was formerly held by competitors, their widespread use nullifies their advantages.

It has been said in defence of these measures that export to soft-currency areas frequently yields a greater return to the exporter in terms of national currency than does export to the dollar area and that therefore some incentive is required to divert exports in order to increase dollar earnings. But recent changes in price in Europe and in the dollar area have resulted in a narrowing of the gap between the proceeds of sales to the two areas, and the need for such incentives has been proportionately reduced. Nevertheless, many schemes are still in operation. Complaints of unfair competition have been directed against countries operating retention schemes, and the whole question is being examined by the International Monetary Fund.

Production subsidies

Subsidies are more frequently granted to producers than to exporters. Subsidies on production will affect international trade, but an increase in exports is not the principal aim of such subsidies; if that were the objective an export subsidy would be more appropriate—it is easier to administer and less costly. Nevertheless, the estimated effect of a production subsidy on exports may be very important and may well have been a secondary reason for its introduction.

Domestic products are subsidized by various means, but a classification of subsidies by the method employed would not be very enlightening; differences of substance are more apparent in distinguishing aims rather than forms. On the basis of the purpose to be served, most subsidies can be placed in one of three groups—price and income support, lowering or equating costs, and the maintenance or development of industry or employment—though the distinction is many times far from clear.

To ensure stability of income or adequate remuneration for producers, subsidies are granted by guaranteeing a minimum price. This form of subsidy is applied almost exclusively to agricultural products. The most extensive programme is that of the United States where numerous agricultural
commodities are subsidized, such as maize, wheat, cotton, tobacco, wool, potatoes, peanuts and milk. Either the difference between the sale price and the guaranteed minimum is paid to the producer or his "surplus" is purchased by the Commodity Credit Corporation at the guaranteed price. The cost of supporting the prices of agricultural products in the United States is estimated, for the year beginning 1 July 1953, at more than $1100 million. Price and income support schemes exist also in South Africa for wheat, maize, butter, margarine and, through marketing boards, for tobacco, raisins, bacon and potatoes. In Canada price supports operate for cheese, butter, beef, silver fox pelts and certain fishery products, and in Australia for wheat, sugar, dairy products and flax.

In Belgium a subsidy is granted on hard cheese, milk powders, condensed and evaporated milk, for the period 5 May to 30 September, the aim being to even out seasonal demands for milk and thus provide a more stable income for producers. The price of peat is supported in the Netherlands.

Some governments subsidize the cost of production or transport. In Australia and the United Kingdom fertilizers, and in South Africa fertilizers and bags, are subsidized. In Canada, subsidies are paid on coal and coke railed or shipped from the East or West to the central markets in order to place producers in a competitive position with imported fuel. Similarly, in order to even out costs of livestock rearing in different regions of Canada, a subsidy is granted to cover practically all freight charges on grains and mill foods.

Sometimes a government is concerned about the quality of a home-produced article or commodity and grants a bounty on output which conforms to a certain standard. In Canada premiums are granted on hogs and cheese of prescribed quality. In Finland domestic grass seeds receive a subsidy in order to ensure an adequate supply of the types of grass suited to the rigid climate of the country. The effect on imports is different in these two cases: in Canada imports of quality hogs and cheese are likely to be reduced, whereas the Finnish measure is intended to maintain the only source of supply. In the United Kingdom hill-sheep and hill-cattle for breeding receive a subsidy. For the relief of distressed or infertile areas, or to maintain employment, the production of Sardinian coal and Sicilian sulphur is given aid by the Italian Government. Flax, silk and hemp are subsidized out of a textile fund in France, and in the United Kingdom flax is subsidized in order to maintain the level of production.

This grouping obviously does not exhaust all forms of governmental assistance which may be deemed to constitute a subsidization capable of affecting international trade. The economic policies of certain governments based on the maintenance of a stable and low cost of living require for their implementation the subsidization of foodstuffs, as, for example, the cost-of-living subsidies in the United Kingdom and the Netherlands. Laws requiring that a national product be given preference over foreign at
the same price or even at a higher price, are clearly a form of subsidiza-
tion of domestic enterprise: in terms of money, the subsidy can be
measured as the amount by which the home price exceeds the foreign. Examples
are the Buy American Act of the United States, the Finnish Government's
requirement that textile manufacturers shall purchase all of the home
produced wool coming on the market, and various "mixing" regulations which
require the use of a certain percentage of domestic materials. And, finally,
the establishment or the development of an industry is sometimes considered
as a matter of national importance for strategic or other reasons; govern-
ments then intervene with subsidies. The watch industry and forestry in
the United Kingdom, the textile industry in Cuba and the tractor industry and
ship-building in Australia are cases in point.

Recent changes

No major change seems to have occurred in the policy or measure of
government subsidization in the past two years, though adjustments have
been made in the products benefitting and in the amounts of subsidy granted,
and, of course, in price support schemes the scale of government purchases
has varied in accordance with appropriations and changes in price.

Some subsidies have been abolished; in Belgium on domestically
produced gas, in Canada on dry skim milk, apples and honey as well as on
railway freight rates for iron ore and steel, and in India on soda ash,
aluminium and foodstuffs.
Most of the quantitative controls imposed by governments on international trade have been reviewed in earlier reports issued by the CONTRACTING PARTIES. Accordingly, the methods employed are not here described again and this section is devoted to a survey of recent developments in the application of restrictive policies and practices. Since most of the import restrictions in force at the present time are intended primarily to strengthen the external finances, the developments in this field naturally require most attention. Changes in the balance-of-payment restrictions are described in three sections below. A fourth section contains a more cursory review of the changes in import restrictions imposed for other purposes, and a fifth section deals with restrictions on exports. 1952 opened with many countries facing serious trade and payment difficulties, with imports running far ahead of exchange earnings and monetary reserves under heavy pressure. The limitations placed by these countries upon external expenditure, combined with measures to redress their internal economies, served to bring a substantial improvement before the end of the year, so that some which had imposed the severest cuts were able to modify their policies. This was the experience of the United Kingdom and some other countries of the sterling area, but a notable exception was France which reduced imports even further in the first months of 1953.

The sterling area

The balance-of-payment position of the sterling area deteriorated seriously in 1951 and in the fourth quarter the gold and dollar reserves fell at a rate which would have exhausted the remaining holdings in seven or eight months. In November, the United Kingdom Government imposed restrictions on imports from the continent, and in January 1952 a conference of the Commonwealth Finance Ministers was convened to consider action for dealing with the financial crisis. The Commonwealth sterling countries agreed on action to bring the position of the sterling area as a whole into balance with the rest of the world by the end of 1952. It was recognized that the solution of the underlying problems required positive measures of a long-term character, but that import cuts would be necessary as a stop-gap measure. Following the Conference the United Kingdom announced measures to economise on dollar expenditure and during the ensuing months action to that end was taken also by Australia, New Zealand, South Africa and Southern Rhodesia. The second half of the year witnessed a definite improvement in the external reserve position of the sterling area. The restrictive measures introduced by Pakistan and Ceylon in May and August were necessitated by their own external financial position rather than by that of the sterling area as a whole.
The Commonwealth Prime Ministers met in December 1952 and examined the balance-of-payment position with the rest of the world, especially the dollar area. It was recognized that resolute action was required to strengthen the economies of the sterling Commonwealth countries and that in the wider sphere they should seek the co-operation of others in a plan to create the conditions for expanding world production and trade. By the beginning of 1953, there were signs of a gradual relaxation of the restrictions imposed during the previous year, and in February and March definite steps in this direction were taken by Australia and the United Kingdom.

The following paragraphs contain a brief account of the more significant measures taken by members of the sterling area since November 1951.

Three measures were taken by the United Kingdom Government in November 1951: the revocation of open general licences for certain products issued in pursuance of the policy of liberalising trade with soft-currency countries, and their replacement by quota arrangements; a reduction of expenditure on food imported from Western Europe on government account; and a slowing down of strategic stock-piling. The open licences thus revoked had applied to imports from OEEC countries, the sterling area and certain other non-dollar countries; these were now withdrawn for imports from all these sources except the sterling area. Most of the new quotas were "global" and they applied non-discriminatorily between non-dollar non-sterling countries. As a result of these measures the United Kingdom's percentage of liberalized trade under the CEEC programme was reduced from 90 to 61. A wide variety of products was affected, including carpets and rugs, various apparel items, typewriters, glassware, sports goods, musical instruments, stationery and office requisites, cutlery, leather goods, pharmaceuticals, furniture, furs, paper, and a broad range of food and drink. In selecting articles for restriction, the United Kingdom Government sought to maintain a high percentage of liberalization and to avoid placing restrictions on commodities on the OEEC Common List.

In January 1952, further measures were introduced to achieve greater savings on external expenditure. These included reductions in the purchase of foodstuffs and raw materials and in the planned level of stocks of tobacco. A third set of measures announced in March involved a further reduction in the 1952 import programme. More items were removed from the open general licences, including food, drink, feeding-stuffs, marble and slates, oils and waxes, chemicals, drugs, dyes and colours, washing machines, glassware, pottery, optical, scientific and medical instruments, electrical goods, metal manufactures, books, hides and skins and, most important of all, textiles. The percentage of liberalized trade with OEEC countries was thus further reduced to 46. The "global" quotas, announced in May, for imports of textiles amounted to about one-third of imports in 1951, but for other articles the average quota was over 60 per cent of 1951 imports. The quotas announced for textiles allowed for cuts in government purchases and, in practice, importers who applied for licences were granted 50 per cent of their 1951 imports.
A further reduction of imports was made in July: the buying programme for the second half of the year were reduced with the intention that imports of manufactured goods, other than machinery and defence supplies, would be about 60 per cent of those in the second half of 1951.

The sum of the "global" quotas for 1952 amounted to about 40 per cent of total imports from non-sterling countries of OEEC in 1951. In the event, however, imports remained at a high level in the first three months of 1952, and not until April was a marked reduction to be seen. The maintenance of total imports at a high level was due partly to the increase in the value of some goods, especially iron and steel, manufactures thereof and machinery which were closely related to the defence programme, and partly to the delayed impact of import restrictions as a result of measures taken to mitigate hardship.

Relaxation began with the announcement of quotas for licensed imports from soft-currency countries for the first half of 1953. Increases appeared for textiles, apparel, nuts, cheese and essential oils, representing an increase in the total import quotas for goods from OEEC countries from a six-monthly rate of about £38 million to £45 million. Textile piece-goods and yarns accounted for more than half of this increase, while small imports of nylon stockings and decorated pottery were allowed for the first time since the War. At the same time, lower import quotas were announced for fondant and sugar fat mixtures and grapes.

In March 1953 the United Kingdom Government announced that it had decided to relax some of the restrictions on imports from Western European and certain other countries, which had been imposed in November 1951 and March 1952. A considerable range of goods, mainly foodstuffs and manufactures including unrationed cheese, textile yarns and piece-goods, gloves, footwear, carpets, plate and sheet glass and cork, were restored to open general licence. The quotas for the second half of 1953 for some other goods which remained subject to restriction were increased. The effect of the relaxations was to raise to 58 the percentage of United Kingdom's imports on private account from Western Europe which were free from quantitative restriction.

In announcing these measures of relaxation, the Government stated that special attention had been given to elements of traditional importance in the trade of Europe with the United Kingdom and, in particular, to measures helpful to France and Italy whose trade had been most harmed by the restrictions.

Until 1950 Australia granted exemption from licensing requirements only for imports from the United Kingdom, but in that year this was extended to goods originating in any part of the sterling area and in other "easy-currency" countries. From 1950 until March 1952 all imports except for a few items such as petroleum products, were admitted without restriction from all sources other than hard-currency countries.
Under the control system, introduced in March 1952, imports from all countries including the sterling area were again made subject to licensing. This new control was based on a global-quota principle and the licences issued were valid for imports from any source other than the dollar area and Japan. For the purpose of import control, goods were classified in three categories according to their essentiality and nature. Imports within categories "A" and "B" were regulated by annual quotas allocated to importers on the basis of value of trade in 1950-51: the quotas for category "A" amounted to 60 per cent of each importer's purchases of the particular goods in question during the base year, and those for category "B" goods amounted to 20 per cent of each importer's total imports of all goods in that category during the base year. The third category included essential raw and semi-processed materials for industries which could not appropriately be restricted to a percentage of base-year imports and the control was administered on a case-by-case basis. A fourth category, introduced later, included goods which lent themselves to regulation on the quota principle but which were not suitable for classification in category "A" or "B"; here the percentages of base-year imports varied between 80 per cent and 100 per cent.

The imports which suffered most from the new restrictions were naturally those classified under category "B" and these included a wide range of manufactured goods ranging from prepared foodstuffs to household machinery, the more important items being textiles and motor vehicles. The goods in this category had accounted for approximately £A 200 million, or 27 per cent of total imports, in the year 1950-51.

When these restrictions were introduced it was provided that goods in transit would be licensed automatically on importation, but that goods leaving overseas ports after the announcement would be subject to regulations and, if admitted, would be debited against any future quotas established for the importers. At first, no provision was made for the alleviation of hardship arising from contractual obligations, but later, additional licences were issued if considered justified, if goods had been especially prepared for the Australian market or if a supplier faced direct financial loss as a result of the restrictions. Improvement in the external financial position enabled the Government to withdraw from 1 January 1953 the provision for debiting against quotas any licences issued for goods covered by irrevocable letters of credit. The standards for the consideration of import licence applications were also relaxed when the Government found it possible to allot more exchange for the importation of raw materials and capital equipment for industries.

However, no substantial relaxation of the import restrictions was undertaken until early in 1953. In February, the Government announced a modification of the restrictions to be effective on 1 April. The 60 per cent rate for goods grouped under category "A" was raised to 70, and the percentage for
category "B" was increased from 20 to 30 of base-year imports. A variety of materials for industry and other basic products in the two remaining categories were either licensed freely or allotted increased quotas:

The intensification and relaxation of restrictions, described above, relate to Australia's imports from countries other than those of the dollar area and Japan. In the post-war years, importation into Australia of goods from the dollar area and Japan has always been subject to annual planning under which imports are limited to essential commodities not available in adequate quantities from other sources of supply and each application for a licence is treated on its merits. In March 1952, about two weeks after the intensification of its non-dollar import restrictions, the Government decided to recall for review all outstanding import licences for goods of dollar-area origin except those for bulk petroleum products and goods purchased under the 1950 loan from the International Bank for Reconstruction and Development. Early in May, the Government, after revalidating more than half of the recalled licences, decided to cancel approximately 20 per cent of those that remained, representing goods to the value of about £A 35 million. From 21 March until the end of May 1952 virtually no dollar licences were issued. At the end of May licensing was resumed, under a revised programme covering the period up to the end of September, at a lower rate than that of the 1951-52 licensing year.

In March 1952, the New Zealand Government recalled all licences issued for imports from hard-currency countries. Goods in transit, covered by confirmed or irrevocable credits or schedules to be shipped before the specified date were to be admitted, but other licence holders were required to submit a new application. Each request was examined against the background of the country's need for maximum economy in the expenditure of hard currency. After a review of its commitments the Government provided firm allocations for a number of items, in some cases as high as 100 per cent of the value of 1951 licences issued for the same goods from hard-currency countries. It was later estimated that, as a result of the recall and re-examination of licences, payments for imports from these countries in 1952 would be kept within limits comparable to expenditure in 1951. For 1953, the policy, as announced by the Government, is to limit dollar imports to highly essential goods not obtainable from sterling or other soft-currency countries.

The Government also withdrew the exemption of motor vehicles from import control. This action affected chiefly the United Kingdom, but was not the only measure taken to reduce imports from sterling and soft-currency sources. Restrictions on allocations of foreign exchange to importers were also introduced. Commercial banks were instructed not to sell to any importer, to cover licensed and unlicensed imports, during 1952, more than 80 per cent of the exchange sold to him during 1950. Exchange required by any importer in excess of this allowance was to be granted only after consideration by the Reserve Bank, which would take into account the essentiality of the goods,
the supply condition in New Zealand, and any firm commitment entered into before the restriction was announced. The control in 1953 is even more stringent. The limitations imposed on import payments are similar to those of 1952, but thus far the maximum allocation for the whole year is only 40 per cent of the 1950 payments. This covers all imports except motor vehicles and goods paid for with "third-party certificates" obtained by the importer from other import licence holders.

In the first months of 1952 India took no substantial action in import control. Minor measures, however, included more liberal treatment for iron and steel valves, electric lamps and wires and cables, but also cuts on a few articles, the domestic production of which had increased substantially in 1951, such as iron and steel wire netting, steel balls and wood screws. Under the import policy announced for the second half of the year, the open general licence was replaced by two separate OGLs: one for dollar imports and one for soft-currency imports. About fifty items, which could previously be imported freely from any source, could thereafter be imported without limitation only from soft-currency countries. A few products, previously under individual licence, were placed on the open general licence, and certain other goods, such as fish, butter, cheese, patent foods, copra and coconut oil, were removed from the open general licence and thus again subjected to individual licensing requirements. At the same time, some quotas, mainly for dollar imports, were reduced. The main reasons for these changes were increased domestic production and the need to conserve dollar reserves. In October the Government suspended, for the remainder of the year, the importation of bicycles, radio receivers, china and porcelain ware, razor blades, etc., and cut the quotas on some vegetable and fruit products.

In the import policy for the first half of 1953 emphasis remains on imports of machinery, raw materials and essential consumer goods, and over a large range imports are maintained at the previous level. A few items, such as ball bearings, duplicators, printing machines and textile mill stores have been dropped from the OGLs to be regulated on the quota basis. Import quotas on some articles have been cut again on grounds of improved domestic supply position, while some of the cuts made in the previous half-years have been restored. A variety of non-essentials is admitted in token quantities and there has been a simplification of the licensing procedure.

For several years Pakistan maintained in force an open general licence providing for unlimited imports of specified goods. This licence was usually divided into sectors applying to different currency areas. The OGL in force in the early part of 1952 listed separately the commodities which might be imported under it from the dollar area, from Japan and from all other countries. But in 1952 a succession of measures tended towards a tighter régime of import restriction.
In May 1952, fifteen groups of goods were removed from the dollar list; these were mostly products which could be obtained readily from soft-currency areas or countries with which Pakistan had entered into trade agreements. In August about forty further items, representing about half of the current imports, were removed from the soft-currency OGL: these included cotton goods and yarn, jute manufactures, bicycles, tyres and tubes, motor lorries and vans, watches, crockery, paper and timber. As a result only about fifty items remained importable under the open licence — mainly non-ferrous metals, pig iron billets, machinery, chemicals, drugs and medicines, dyes, mineral oils and cement — all other goods being subject to individual licensing at the discretion of the Government. At the same time, an important group of articles, including typewriters, sewing machines and other office and domestic machinery, was taken off the OGL dollar list. But, in view of the Government's intention not to cancel outstanding licences and to admit imports for which genuine commitments had been made before the introduction of the restrictions, no material decline in the level of imports from the dollar area was expected until the end of 1952. The measures affecting imports from non-dollar countries were designed to produce more immediate results.

In November 1952 the Pakistan Government cancelled its current open general licence and imposed licensing requirements for all imports. In addition to goods for which importers had made definite commitments before the cancellation of the OGL, exceptions were made for machinery and chemicals if shipped within a short prescribed period. The new schedules, published on 1 March 1953, of goods for which applications for licences are invited during the current licensing period show further limitations of imports. No provision is made for imports of motor cars from the dollar area, and yarn and all other kinds of thread may be imported from the sterling area and Japan only. There are to be no licences for tobacco, cosmetics, toilet requisites and clocks and watches. The licensable imports from the dollar area are mostly essentials such as iron and steel manufactures, non-ferrous metals and ferro-alloys, tools and workshop equipment, chemicals, medicines, dyed and tanning substances, electric instruments, office machines, diesel engines and parts, machinery, oils and greases, tyres and tubes, synthetic rubber, heavy motor vehicles and aeroplanes.

A favourable external financial position enabled Ceylon for some time prior to mid-1952 to allow unrestricted importation of most goods from the soft-currency countries and of many products from the dollar area. Most commodities could be imported under one of three open general licences relating to different currency areas. Commodities not on any of these OGLs were subject to individual licence. Licences were usually refused for goods, including grains, flour, coconuts, sugar, tea, certain oils, earthenware, wooden furniture and coir manufactures, which were either imported on Government account or available within the country. In August 1952 the Government intensified the restrictions on dollar imports by withdrawing 19 articles — textiles, mainly cotton, woollen and artificial silk; luxury
articles, such as refrigerators, wireless sets and hosiery; and batteries and accumulators – from the list of about 200 previously imported under the OGL for the dollar area. The purpose was to reduce the deficit in the country's dollar balance of payments which had been accentuated by rice purchases in the United States. In September the restrictions were further tightened by removing some 30 items, including beer, wines and spirits, clocks and watches, piece goods and motor cars, from the OGL for imports from non-dollar sources and covering them with a new OGL authorizing their importation from a limited number of soft-currency countries including the sterling area; most EPU countries were excluded from the new OGL.

The Union of South Africa's first action in import control in 1952 related to textile piece-goods. The measures taken at the end of January provided that permits for importation of this class of products from the dollar area would be subject to quota limitations. For consumer goods as a whole, the Government reduced the issue of permits for 1952 to 45 per cent of the 1948 import value (compared with 60 per cent in 1951), but in June, in order to avoid shortages of essential consumer goods, additional permits were issued for the import of linoleum, oil lamps, china, porcelain and glassware etc..

In Southern Rhodesia, prior to December 1951, restrictions were maintained only on imports from the dollar area, Japan and Argentina, but were then extended to cover imports from all countries outside the sterling area in order to ensure that total non-sterling payments would not exceed the non-sterling receipts from all sources plus the sales of gold. The controls from dollar countries and from other non-sterling countries are administered separately: an allocation, divided into global amounts for the various groups of commodities, is made for imports from each of the two areas. Within the limits of these allocations, licences are granted normally for essentials only. Imports of luxury articles from outside the sterling area are not absolutely prohibited; circumstances of particular cases, alternative sources of supply, conditions of delivery and effects on local industry and employment are taken into account in addition to the balance-of-payment considerations.

The foregoing is not an exhaustive survey of action by sterling area countries, but all the most significant measures have been mentioned. It is necessary only to add a reference to the reduction in 1952 of hard-currency imports by many of the dependent territories of the United Kingdom.

Western Europe

The countries of Western Europe which are members of the Organisation for European Economic Co-operation follow similar, and in some respects concerted, policies in the control of international trade. Imports into Western Europe from overseas are limited to a volume slightly lower than that of prewar
years, although exports have increased by nearly two-thirds. The trade policies of this area have two main aspects - the economy of expenditure on imports from hard-currency countries and the encouragement of trade among themselves.

The shortage of dollars is still the main problem. The current account deficit of the metropolitan OEEC countries with the dollar area which had been reduced to $1.8 billion in 1950 rose to about $2.6 billion in 1952. This deficit persists despite careful programming and the vigilant control exercised over dollar expenditure. But dollar import programmes, are not usually made public, and it is only after the event that the effects of the control can be seen in the trade statistics. The increased dependence of Western Europe on the dollar area for essential foodstuffs and raw materials (including grains, fats and oils, sugar, tobacco and cotton) and the considerable expansion in imports of chemicals, machinery and other capital goods have been referred to in Part I. Despite the strict control, Western Europe's imports from the dollar area in 1952 were about the same as in 1951.

While governments seldom make known in advance their intention to intensify or relax their restrictions on purchases of hard-currency goods, the situation is different with respect to intra-European trade. Under the OEEC programme for the removal of quantitative restrictions from European trade, governments announce from time to time the products which can be imported without restriction. This "liberalization" of trade is measured against the value of non-governmental imports in 1948. The percentage of private intra-European trade thus freed from quantitative control was raised by most OEEC countries to 75 by the beginning of 1952.

Major setbacks to the liberalization scheme have accompanied the payments crises within the European Payments Union. The German Federal Republic suspended its liberalization measures completely between February 1951 and January 1952. In November 1951, the United Kingdom cut liberalized imports from 90 to 61 per cent. In February 1952, this was further reduced to 46 per cent, and France suspended liberalization entirely. Other members of the OEEC, however, have continued to extend their liberalization and at the beginning of 1953 most of them had reached a level of 75 per cent or more. The average level reached by all participating countries was higher in March 1953 than it had been in October 1951 before the United Kingdom and French restrictions came into operation.

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<tr>
<th>Intra-European Trade Liberalized under the OEEC Programme (percentages in relation to private imports in 1948)</th>
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<td>B.L.E.U.</td>
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Intra-European Trade Liberalized under the OEEC Programme (cont’d)

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<th>1 January 1952</th>
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<td>Turkey</td>
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<td>United Kingdom</td>
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In view of the long duration of the "temporary" measures imposed by the United Kingdom and France, it was feared that the OEEC policy of trade liberalization was in serious jeopardy. The United Kingdom and French restrictions had had serious effects on the exports of Italy, particularly agricultural products and textiles, and it did not seem likely that the Italian Government would be able for long to maintain its current liberal import régime in face of its deteriorating position in the EPU. But the United Kingdom, as recorded above in the study of the sterling area, increased its quotas for imports from OEEC and other soft-currency countries in March 1953. At the same time the German Federal Republic announced the removal of some restrictions. In view of these improvements the threatened action by Italy did not take place, but further restrictions were imposed on European trade by France.

The principal developments in the liberalization of intra-European trade are examined in more detail in the following paragraphs.

The restrictive measures taken by France beginning in February 1952 consisted in the re-imposition of licensing control on imports from OEEC countries and, later, in reductions in the quotas provided for such imports. The French Government proceeded to draw up an import programme with a view to resuming trade with OEEC countries on the principle that imports should be covered by the proceeds from exports. The first programme covered the second quarter of 1952; on the basis of estimated earnings, a maximum of $140 million was fixed for each of the three months. This provided for a level of imports considerably below, both by volume and by value, that prevailing during the preceding months during which importation had been unusually heavy as a result of speculative buying and domestic inflation.

The quarterly programmes established by the French Government deal with three categories of imports. The first, called "irreducible requirements", is composed of essential materials which France must import from the EPU area to ensure a satisfactory level of production and consumption. This list includes commodities generally imported on government account and previously not subject to the liberalization arrangements, together with some commodities
which had been imported on private account either in limited quantities or freely as liberalized imports. In the second quarter of 1952 the "irreducible requirements" category was allotted $100 million per month, i.e. some 70 per cent of the total programme. The second and third categories, described as "traditional imports", cover the remaining commodities generally imported from the EPU area on private account, the one under bilateral quota agreements and the other previously free of restriction. The allocation for these two categories was $30 million a month. The ex-liberated sector was composed of products which, while not of vital importance to the French economy, were traditional imports which could not be completely cut off without the risk of disrupting the pattern of trade in Europe. The remaining $11 million was set aside as a reserve for unforeseen contingencies.

Owing to the continuing deficit, the monthly maximum allocation was lowered to $125 million in the third quarter of 1952. This was increased to $130 million for the half-year period from October 1952 to March 1953, but was reduced to $116 million in the programme for April to September 1953. This last reduction of $14 million a month was made up of $5 million to be saved on basic foodstuffs (meat, eggs and butter) and $9 million on raw materials (coal, pitch, paper pulp, sulphur, pyrites, timber, cork and cotton) all falling in the "irreducible requirements" category.

The German Federal Republic successfully redressed the payments difficulties encountered in 1951, and before the end of the year the liberalization of imports from EPU countries had been restored. Through 1952 more goods were added to the list: the percentage was raised to 75 in April, to 80 in August and to 90 in March 1953. In Italy nearly all imports from West European countries have remained free from restriction; motor cars is one of the few exceptions.

Under Denmark's import control system, there are four groups of products for which arrangements have been made to facilitate importation without restriction. As they stood at the beginning of 1952, the global-free list covered some 45 items which might be imported from any country without licence; the regional-free list provided for the import without licence of some 140 items from EPU countries; the free-issue-of-licence list included about 20 items for which the authorities were prepared freely to issue licences for imports from the EPU area; and the deposit-scheme list covered a small number of goods, mostly non-essential manufactures, for which licences were issued under a cash deposit for imports from EPU countries. In 1952 the restrictions on imports from EPU countries were progressively relaxed. The first relaxation, in May, took the form of adding to the regional-free list about 45 items, principally foodstuffs and materials - nuts, dried vegetables, rice, cocoa beans, yarn, silk waste, glue, coal-tar, beechwood, boards and planks, sand papers and drawing instruments. A few items, such as prunes and plums, raisins, cinema equipment and textile machinery, were added to the
free-issue-of-licence list. In September about 15 more items of finished goods were added to the regional-free list. And in December a further loosening of the restrictions on imports from EPU countries was effected through a reduction in the deposits required for piece-goods, clothing and various other items on the deposit-scheme list, while the deposit requirement was dispensed with altogether for watches, clocks and spectacle frames. Apart from these measures of liberalization the arrangement mentioned on page II-11, by which negotiable rights equivalent to 10 per cent of dollar export proceeds were granted to exporters, enabled otherwise restricted goods to be imported from EPU countries.

During the balance-of-payment difficulties in 1951 the Netherlands reduced its liberalization percentage to 60. This was later increased to 71, and a further increase was made in March 1952 when some industrial materials (cement and cement manufactures, certain kinds of alcohol, coal-tar derived dyes, paving blocks and slab stones, iron and steel tubes and copper bars and wire) were added to the list of liberalized goods for which licences were freely issued. The liberalization was thus raised to 75 per cent. At the beginning of 1953 a number of items of food, drink, tobacco, fuel, chemicals, wood products and building materials were added to the free list bringing the liberalization to 82 per cent. Norway added a number of additional items to its free-import list in January 1952. Textiles and others were added in May, and with further additions in July the liberalized percentage was raised to 75. Sweden's favourable position in the EPU permitted several steps of liberalization in 1952. Early in March, a few articles, including binoculars, musical instruments, fountain pens and coloured pencils, were freed from restriction for a trial period. On 1 July, a large range of textile products was liberalized, including woollen fabrics and ready-made articles. By this measure, the proportion of freed imports from OEEC countries was brought up to 85 per cent. The final step bringing the liberalization of trade to about 90 per cent was taken in October when it was announced that import licences would be no longer required except for a short list of specified items. The most important of the articles remaining under control are certain fat products, automobiles, motor-cycles, linen and hemp.

In January 1952, owing to its continued creditor position with EPU, Portugal decided to bring to 100 per cent the liberalization of imports from OEEC countries during an experimental period of three months. This complete freedom came to an end in April when the previous arrangements for the free entry of 75 per cent was restored. Subsequent measures involving motor cars, iron and steel wire and piece-goods raised the percentage to 92. Another country which in the course of 1952 intensified its restrictions on imports from EPU countries was Iceland. At the end of August severe restrictions were announced, to be effective for an indefinite period. It was explained that the measures were necessitated by the failure of the summer herring season and by the difficulties experienced in marketing fishery products in EPU countries.
Latin America and other areas

The reversal of world price trends in 1951 had serious financial repercussions for the raw material producing countries of South America and other continents. Measures to reduce import expenditure were taken by many of those countries in 1952, but the means adopted for achieving that end are far more varied than in Western Europe or the sterling area. Among other devices, variations are often maintained in the external value of currencies in order to encourage or discourage the importation of particular classes of products, and quantitative controls may then play only a subordinate role in the regulation of imports. But multiple currency practices, which in the areas under consideration may be of greater significance than quantitative restrictions, lie outside the scope of this report, and this section, therefore, is confined to changes in measures which restrict imports by quantity or value in countries of Latin America, Asia and the Near East.

In January 1952 Argentina suspended the system whereby import permits were granted automatically for certain essential goods and raw materials. In the following six months the decline in exports caused by draught, coupled with heavy external expenditure on essentials, brought down the gold and foreign exchange reserves by almost one-third. Consequently in June the Government disclosed a new foreign trade policy of austerity and bilateralism under which purchases were limited to indispensable supplies of raw materials, fuel and capital equipment for agriculture and industry. In July all imports were prohibited until further notice, exceptions being made only for goods in transit or covered by irrevocable credits. In October it was announced that no exchange would be granted for the importation of any article of a kind produced domestically; the main items affected were metal goods, electrical materials, chemicals and many products of light industry.

In recent years imports from dollar and other hard-currency countries into Brazil have been under strict control and limited to goods considered essential to the national economy. In July 1952 the list of essential articles licensable for importation from these sources was reduced from 500 to about 170. This measure limited Brazil's hard-currency imports to "strictly indispensable" materials and equipment, such as petroleum, steel bars and sheets, non-ferrous metals, sulphur, synthetic rubber, turpentine, borax, resin and pitch, nylon yarn, power plants, diesel engines and tractors. As for imports from other sources the import control authorities decide from time to time to withhold licences from designated goods. A decision of this kind in May 1952 affected a few miscellaneous items, such as fire-bricks, cotton cord for tyres and India ink, on the ground of adequate domestic supply. Similar decisions were taken, in August, affecting ink, paper and some chemicals and, in February 1953, some aluminium products, certain types of transmission belts, metal tubes, etc.
Under the exchange budget system of Chile, imports are accorded different treatment according to their essentiality. In 1951 and the earlier months of 1952, imports were divided into four groups: group A-1 might be imported without limitation at the free exchange rate, group A-2 without limitation, but at a special rate of exchange, and groups B-1 and B-2 subject to quota limitations. The value of 1952 imports in group A-1, which contained a large number of essential commodities such as chemicals, mineral products, machinery and transport equipment, was estimated at $113 million or about 30 per cent of total planned imports. When, in April, declines in external earnings, caused by falling prices for Chilean exports and a strike in the nitrate industry, called for a reduction in the exchange budget all imports in that group were suspended. In June, in order to keep all imports under regulation so that expenditure in foreign currencies might be kept within earnings, the system of licensing was re-established for goods included in all the groups. At the same time an enlarged list of prohibited goods was published containing about a thousand items including manganese, steel, timber, leather, fodder, textiles, spirits, chemicals, metal articles, farm and mechanical implements and electrical materials.

The import control system established by Uruguay in the middle of 1951 exempted certain essential commodities from the licensing requirement. In January 1952 this exemption was extended to a few more products including fuels, lubricants and pharmaceuticals from hard-currency countries and newsprint and jute from any source. But in April, owing to the reduced earnings from wool exports, the exemptions were suspended, thus rendering all imports subject to licence under quotas to be announced from time to time. The first quotas, announced in July, authorised the import of a limited amount of machines, building materials and vehicles from Argentina and six continental European countries. A second announcement in August established quotas for the importation of $350,000 of agricultural machinery from the dollar area and $55,000 worth of two other products from the United States and France.

Turning to the Far East, Japan, early in 1952, felt the need to redress the imbalance in its trade with the sterling area which had resulted in an excessive holding of sterling. Earlier restrictions on sterling imports were relaxed through extending the application of the "automatic approval system", and in February further measures were taken to restrain exports to, and to encourage imports from, the sterling area. In August it was decreed that importers might purchase cotton and coal in the United States only if they bought these commodities in specified ratios from the sterling area. Owing to the decline in Japan's textile exports and the sterling area's import restrictions, Japan's sterling holdings began to decrease by the middle of the year, although its dollar reserves continued to rise. In the import programme for the half year ending March 1953, the allocations for purchases from the sterling area were maintained at about the same level as in the previous period, while those for dollar imports were increased by 20 per cent, with a view to
improving the supply of cotton and other raw materials to domestic manufactures of export goods. The import programme for the six months beginning April 1953 provided for increased imports and again emphasised essential raw materials but, in order to conserve dollars and to reduce the drain on its sterling holdings, the arrangements aimed to encourage imports from other sources, especially from countries with which Japan had entered into trade and payments agreements.

In August 1951, the Philippines intensified its restrictions on imports: many non-essential goods, including certain canned foods, vegetables, fruits, oils and fats, wood and plastic manufactures, were prohibited with immediate effect, and certain others, such as garlic, onions, yeast, chocolate, coal and umbrellas, were to be banned beginning July 1952. In August 1952 further import cuts were made through reduced exchange allocations for new importers and the refusal to issue licences for materials and equipment obtainable in the Philippines. In September, cotton weaving yarn, electric bulbs and fluorescent tubes and some other products were added to the prohibited list.

In the Middle East, the Government of Egypt introduced in June 1952 an import licensing system for many commodities from the sterling area and from countries with which Egypt had no special payments agreements. (Hitherto all imports from the sterling area had been under open general licence.) The articles thus restricted included silk, cotton and linen manufactures, motor cars, radio receivers, refrigerators, soap, leather bags, glassware and toys. The restrictions were further extended in October when all imports from all countries were made subject to licence, although licences were to be issued freely for imports from some countries such as Western Germany, France and Switzerland which accepted payment for their exports in Egyptian currency. In December, new import regulations established different licensing arrangements for various currency areas: all commodities might be imported from those countries with which Egypt had payments agreements; import licences would be granted only for certain essential commodities from sterling area countries until Egypt’s sterling balance sufficiently improved; and imports from the dollar area and elsewhere were limited to a list of commodities and were subject to certain payment conditions.

Imports into the Sudan from the sterling area and many other countries had been mainly on open general licence in 1951-52. In September 1952, about a dozen items including beer, soap, porcelain, glassware, motor cars, cement, timber, sewing machines and radio receivers were removed from the OGL; it was explained that it was necessary to restrict the import of non-essential goods in order to reduce the stocks accumulated at Port Sudan. But in March 1953, the OGL was extended to include boilers, ginning machinery, electric motors and transformers. The Hashemite Kingdom of Jordan imposed restrictions in July 1952 on a large number of goods by refusing licences and foreign exchange for commodities classified as non-essentials. These restrictions remained in force until February 1953 when some items were taken off the prohibited list and could again be imported under licence.
Import restrictions for other than balance-of-payment purposes

Restriction of imports by quantity (including outright prohibition) serves diverse purposes, but the principal aims at present are to safeguard balances of payments and monetary reserves and to protect national production. The restrictions maintained at the present time for financial purposes greatly outnumber all others, but these also have incidental protective effects. No attempt has been made thus far to differentiate between those restrictions which governments will readily remove when the balance-of-payment justification disappears and those which, in view of the protection they afford to national producers, will be given up with reluctance. However, as the need for restriction of imports on balance-of-payment grounds falls away, those which serve the secondary protective purpose will stand in view; for example, Belgium, which no longer claims to apply restrictions for balance-of-payment reasons, maintains import restrictions on a number of products such as land, fertilizers, nylon, shoes, electronic tubes and motor cars.

This report does not attempt to review the restrictions used for other than balance-of-payment purposes. It is possible only to mention two instances of restrictions concerning which complaints have been laid before the CONTRACTING PARTIES: the actual restrictions are described in the following paragraphs and the complaints and the action of the CONTRACTING PARTIES are described in Part III.

The first instance is that of the restrictions imposed on imports of dairy products by the United States. Section 104 of the Defense Production Act, passed by the United States Congress in July 1951, provided that until 30 June 1952 there were to be no imports of fats and oils, peanuts, butter, cheese and other dairy products or of rice and rice products which the Secretary of Agriculture might determine would reduce domestic production below current levels or below higher production goals which might have been set, which would interfere with ordinary domestic marketing or storing of the products, or which would cause any unnecessary burden or expenditure under a price support scheme. The controls imposed pursuant to this legislation restricted imports of all cheese to the level of the annual average of imports in 1948-1950, of casein to the level of imports in 1950-1951, and prohibited the import of butter, peanuts, flax seed, rice and dried skim milk.

In June 1952, Section 104 was revised to provide that the import controls might be administered by type or variety of a commodity or product and to authorise increases of 15 per cent in the quotas established whenever deemed necessary taking into consideration the broad effects upon international relations and trade. The criteria originally set for the operation of the controls were, however, retained. Following this amendment certain types of cheese were released from import control, but other types remained under restriction. The controls on butter and dried milk continued without change,
and to supplement them, restrictions were placed on a group of products having the same use as butter, such as malted milk compounds. The quotas on casein were reduced by about 25 per cent. Apart from minor technical modifications the prohibition on the other goods remained. In October 1952 certain types of cheese were released from control and the quotas for the remaining types were substantially increased. In December import restrictions were removed from casein and processed cheeses of a certain type; the quota for another type of cheese was substantially increased; but restrictions were introduced on dried whole milk, dried butter and dried cream. In April 1953 a complete prohibition was placed on the three last-named products; it was stated by the Government that this action was necessary to prevent imports from displacing domestic fluid milk with the consequent diversion of domestic milk to products being purchased by a government agency. A few days later a limitation was introduced on the importation of tung oil to prevent unnecessary expenditure under the price support programme for tung nuts and to prevent interference with the ordinary storing or marketing of domestically-produced oil.

In the second example of the use of quantitative restrictions the motive was not the protection of domestic industry so much as to influence the direction of trade in order to safeguard monetary reserves though in circumstances not covered by the balance-of-payment provisions of the General Agreement. These are the restrictions imposed by the Government of Belgium, in September 1951, on imports from the United States and Canada. The restrictions were introduced at a time when, under the settlement procedures of the EPU, Belgium was extending credit to other member countries to an extent which exerted pressure on the financial stability of the country. The Belgian Government took measures to discourage exports to, and to facilitate imports from, the EPU area, and the restrictions on imports from the dollar area were instituted to create in Belgium a wider market for goods from EPU countries.

Belgium's imports from dollar countries were classified in three lists. The first contained raw materials and other goods which, in general, could be obtained only in the dollar area or, in some cases, elsewhere only at appreciably higher prices; these were generally licensed freely. The second consisted of goods the import of which from dollar countries was prohibited. The third list covered the remaining goods for which import licences were granted on an individual basis within quota limitations established having regard to their essentiality. For 1952 quotas were established for these goods on the basis of imports by individual importers in 1951: for the months of January and February the quota was 50 per cent of the average imports in the corresponding two months of the previous year, and for four months thereafter 25 per cent of the average in the corresponding period; for July and August the quota was again 50 per cent, and for September to December 25 per cent of the monthly average imports during 1951. On 1 February 1953, the first steps were taken to relax these restrictions. A new list of items to be imported without
restriction contained goods to a value equivalent to 70 per cent of the country's dollar imports in the first half of 1951, as compared with the 25 per cent free dollar imports authorized in the previous list. Other goods remained subject to prior licensing, but the Belgian Government stated that it would issue licences as freely as possible.

Export controls and restrictions

Basically the General Agreement on Tariffs and Trade forbids the use of quantitative restrictions on exports. However, such restrictions are allowed in certain circumstances and for specific purposes, and at the present time governments are taking advantage of these exceptions. Most export restrictions fall into three broad classes: restrictions designed to conserve supplies or to ensure equitable distribution of essential materials; controls maintained for reasons of security and defence; and restrictions applied to meet a particular balance-of-payment situation. Restrictions imposed for these purposes are subject to frequent alteration.

After the middle of 1950 the shortages of essential materials and industrial equipment, caused by the suddenly augmented world demand, greatly stimulated the use of export controls. Existing controls were extended in scope and new restrictions were introduced by governments anxious to ensure adequate supplies for domestic industries, to prevent a rise in domestic prices, or to divide equitably among countries the limited supplies available. The control of exports was found useful also in bargaining for essential imports which were in short supply. In a few instances, controls were placed on the export of foodstuffs and consumer goods.

In fact, however, the acute shortage of materials did not materialize to the extent expected. In the latter part of 1951 and in 1952, the situation eased as a result of slowing down in rearmament, the levelling off in governmental stockpiling and the ending of competitive commercial buying. Consequently many export controls either became inoperative or fell into disuse even though not formally abolished. In the first months of 1952, some new restrictions were still being introduced; but towards the end of the year and in 1953 more of the restrictions originally imposed to meet the shortages were relaxed and new restrictions were introduced only in isolated cases. This general tendency may be indicated by a few examples.

In January 1952 the Union of South Africa, in view of the growing scarcity of meat, prohibited the export of canned pork products. Mexico banned the export of sugar, rice and other goods whose domestic prices showed a tendency
to rise. And further restrictions were placed by the United States on exports of machine tools, pig iron, etc.. In February, the Philippines, forbade the export of sugar until the annual quota due to the United States had been filled, which meant that no sugar would be exported to other countries in 1952. In June, Indonesia prohibited the export of certain foodstuffs, including rice, rice flour, tapioca, flour, peanuts and corn. One of the latest instances of exports being restricted because of supply conditions is the ban on sugar imposed by India in February 1953.

Generally, in times of shortage, the export of scrap metals is placed under governmental control. New export prohibitions or restrictions were placed on iron and steel scrap in January and February 1952 by the United States, Sweden and Venezuela. In March 1953 Bolivia banned the export of iron scrap while Cuba banned all metal scrap.

The United States withdrew its export quota controls on synthetic rubber in May 1952, and on industrial sugar and molasses in June. In July, a more liberal policy in export licensing was adopted for a wide range of commodities, such as rubber products, lead, zinc, cotton cuttings, wool and mylon fibres. The export prohibition earlier imposed on steel was partially relaxed in the same month to permit shipment of certain steel materials used in the manufacture of durable consumer goods. Export licensing controls on wood pulp were withdrawn in August. In March 1953 Canada terminated its import and export controls on a wide range of important metals to and from the United States, including all non-ferrous metals, other than nickel.

In April 1952 Egypt abolished its export restrictions on certain products of domestic origin, including cotton, clothing, woollen yarn and blankets, textile fibres, artificial silk, jute and rope products, glassware, electric bulbs and plastic articles. After a further relaxation in November only fifty products remained under control, including rice and most grains, livestock, edible oils, fruit, vegetables, copper, scrap and raw wool. The export prohibition on rice was introduced in August because of a shortage of water for irrigation.

The export of tea from the United Kingdom was freed from restriction in October 1952 upon the abolition of rationing and price control for this products. Guatemala's export prohibition on corn was abolished in August along with the internal controls on production and distribution. Pakistan withdrew the export licensing required for 36 local products including cotton, hides and skins, raw wool, chrome ore, carpets and gypsum. Another
56 items were added by Pakistan to its free export list in January 1953, including tobacco, furs, sheep skins, leather articles, sports goods, jute goods, cotton and silk waste and cotton linters.

In November 1952 Australia lifted export prohibition from about 80 commodities including motor car parts, rubber manufactures, plywood, wool and woollen goods, paper and cardboards. A long-standing export control on oats was withdrawn in February 1953 on account of a better supply position. The export prohibition on lead and zinc, introduced in 1946 because of the disparity between domestic and foreign prices, was terminated in April 1953.

The need for security restrictions is envisaged in the General Agreement. In recent years the United States and a number of other countries have restricted exports to certain destinations of articles and commodities considered to be of a strategic character, these restrictions cover not only arms, ammunition and implements of war, but also a variety of goods and equipment such as petroleum, and transport materials.

The third category of export control, relating to balance-of-payment problems, is best illustrated by Belgium's restrictions on exports to other EPU countries, which was referred to above in connection with the restrictions on dollar imports. In the early months of 1952, a proportion of the proceeds from exports to EPU countries were blocked in the accounts of the National Bank, and certain articles were subjected to licensing control. The latter control was removed at the end of March. For similar reasons, Portugal, in March 1952, blocked 35 per cent of the sums received for exports to EPU countries; licensing requirements, introduced at the same time, were rescinded for certain products in November 1952. In January 1952 Japan prohibited exports of copper to the French Union on grounds of the imbalance in trade, and in February, in view of the excessive holding of sterling, prohibited exports to the sterling area countries. The restrictions on sterling exports were lifted in October.
BILATERAL TRADE AGREEMENTS

One of the means by which discriminatory import restrictions are made effective is the bilateral agreement which provides for an exchange of products without risking the loss of gold or hard currency. Ever since the Second World War, a large segment of trade has been conducted under special arrangements which, taken together, constitute an extensive network of bilateral agreements. These agreements owe their existence principally to the desire to acquire goods which can be paid for in goods, and they will remain so long as the inconvertibility of currencies prevents the multilateral settlement of trade debts.

Notwithstanding innumerable variations in their terms, bilateral agreements have many similar features. Mostly they aim to ensure the acquisition of scarce supplies and the sale of goods available for export, and also to prevent deficits in trade with individual countries. They specify total quantities or values of various commodities as limits up to which licences for import or export will be granted, or alternatively they stipulate exact quantities of goods which the parties pledge themselves to purchase or to make available for export. In many agreements the governments themselves enter into contracts for purchase or sale.

Many agreements include provisions for credits and the settlement of accounts, though these questions are frequently dealt with separately in payments agreements. Sometimes a joint commission is appointed to supervise the operation of the agreement and to modify commodity lists when necessary. In the past two years there has been a tendency to negotiate a less specific kind of agreement whereby the parties agree, subject to their prevailing import and export licensing policies, to promote trade with each other in listed commodities. The renewal or extension of a trade agreement is usually effected through an exchange of letters or by protocol.

This review deals with the type of trade agreement described in the foregoing paragraphs as distinct from treaties of commerce, agreements on rates of customs duty and financial arrangements for the settlement of international transactions.

Intra-European agreements

The operation of the European Payments Union after mid-1950 and the removal of quantitative restrictions by members of the Organization for European Economic Co-operation wrought significant modifications in the structure of bilateral agreements among the countries of Western Europe.
With these developments, governments were able to adopt fresh objectives and to tolerate a trade surplus or deficit instead of seeking an exact trading balance. This advance towards multilateralism received a setback in 1952 when import restrictions were re-imposed by the United Kingdom and France. Nevertheless the intra-European agreements generally reflect the substantial liberalization of trade controls brought about through the past two years.

With the implementation of the OEEC liberalization programme, quota limitations for many items are now omitted from the agreements. The latest agreements are expected to result in an expansion of intra-European trade; for instance, the Netherlands agreements with Finland, Italy, Norway and Sweden aim at a larger volume. Western Germany's new agreement with the United Kingdom, by raising the bilateral quotas, is expected to result in a further expansion in both directions, and the increase in the German percentage of liberalization has also benefitted exporters from Italy and France. However, because of the deficit position of France in the EPU, the French agreements do not follow the same trend: in the recent Danish/French agreement, Denmark's exports to France are considerably reduced.

Though the pressure for bilateral balancing has eased with improvements in the payments mechanism, the agreements are still playing an important role in the commercial policies of the European countries. They are still considered essential to secure needed imports and to sell luxury goods. A tendency to resort to tied-sales, whereby a country is required to take luxury articles for the privilege of obtaining scarce commodities, is much in evidence. Under the terms of a Swiss-Norwegian agreement, Norway was obliged to buy a certain number of watches for every Swiss locomotive imported. Along with basic foodstuffs purchased from Denmark and the Netherlands, the United Kingdom had to take some high-priced foodstuffs.

Trade between East and West European countries is basically bilateral in character. But there are exceptions. The Soviet Union, Poland and Czechoslovakia, being classified in the transferable-sterling group under the United Kingdom exchange control, have been able to use sterling earned on exports to the sterling area for purchases in other countries. Another exception to the general bilateral pattern of East-West trade is the partnership of Finland in triangular deals with USSR and Poland and with USSR and Czechoslovakia.

Latin America

Bilateral agreements have been used as a device by the Latin-American countries to market their raw materials in Europe and to obtain, in exchange, essential imports. Most of the agreements have similar characteristics: lists of products are included, maximum credit margins are fixed, the exchange rate at which balances are to be liquidated is established and, at times, targets for total trade which it is hoped to attain under the agreement are set.
During 1952 there was a severe contraction in trade between Latin America and Europe. This was largely due to a fall in the production of Latin America's main exportable commodities. Europe's leading trade partner - Argentina - suffered serious droughts and was unable to fulfill its commitments. Because of her desire to conserve foreign exchange for indispensable imports, no agreement was reached on the commodity lists in the Anglo-Argentine Protocol of 1952: Argentina refused to grant import licences for non-essentials from the United Kingdom, and the meat deliveries fell behind schedule. Brazil also experienced difficulties with her trade agreements because of the high official rate for the cruzeiro which placed Brazil's quotations out of reach of European importers. This may explain why a recent transaction by Brazil was a straight barter deal for British jet planes in exchange for cotton. Western Germany, Italy and Austria have offered Brazil capital goods and attractive credit terms but have curtailed their imports because of the high rate of exchange. Colombia's trade arrangements have operated more successfully: under agreements with nine countries of Western Europe, Colombia has obtained capital equipment and consumer goods in exchange for coffee.

In 1952 some of the Latin American countries entered into triangular agreements with countries of Europe whereby the latter were enabled to buy goods in Argentina and Brazil with balances held by other European countries. Western Germany, Italy and Sweden participated in triangular arrangements of this kind.

Trade among the Latin American countries is not large compared with their trade with other continents. In order to overcome the barriers presented by the exchange controls extensively used in Latin America, a substantial part of the trade among them is conducted under barter agreements. The principal commodities figuring in barter deals are wheat, wool and meat from Argentina, cotton from Brazil, nitrate and copper from Chile, coffee from Brazil, Colombia and Costa Rica, sugar from Cuba and Peru, and petroleum from Ecuador, Peru and Venezuela. Most of the agreements were concluded between 1946 and 1949 for periods varying from two to six years. Some of the expiring agreements were renewed in 1952. A notable recent development is the conclusion of an agreement between Argentina and Brazil which provides for the sale of Argentine wheat to the value of some $170 million annually: a quarter of the proceeds will be utilised to repay debts incurred in Brazil during 1952, and the remainder will finance a bilateral exchange of goods. Another important agreement recently concluded, for a duration of five years, is between Argentina and Chile: Chilean steel will be exchanged for sunflower oil from Argentina.
The Middle East

Following the break-up of the Syria-Lebanon customs union, in March 1950, trade declined between these two countries. As a way out of the impasse, in February 1952, a comprehensive commercial and financial agreement was concluded under which agricultural products and a few industrial goods were exchanged.

Israel's trade agreements have been influenced by the fact that there is an import surplus in trade with most countries. Hence, until recently, agreements provided that the cost of imports would be met partly in hard currency or capital transfers. However, the latest agreements with Norway, Finland and Turkey provide for almost balanced trade, and in some other recent agreements with European countries imports are fully met by exports of Israeli products. Nevertheless, most agreements still envisage a surplus of imports by Israel.

The wide range of trade agreements concluded by countries of the Middle East is illustrated by the experience of Egypt. During the past four years Egypt has signed agreements with France, Western Germany, Switzerland, the Netherlands, India, Jordan, Syria, Lebanon, Saudi Arabia, Poland, Czechoslovakia, the Soviet Union and Yugoslavia. In value, the most important of these was the trade and payments agreement with Western Germany, concluded in April 1951 and extended to May 1953: the value of transactions was originally fixed at $50 million but, in June 1952, was raised to $79 million. Egyptian exports include cotton, cotton yarn, manganese ore, calcium phosphate, onions and garlic, while German exports include machinery, metal manufactures, electrical equipment and chemicals. In addition, Egypt recently signed barter agreements with the Soviet Union, Bulgaria and Poland under which wheat will be exchanged for Egyptian cotton.

As a result of trade agreements, Western Germany and the Soviet Union have appreciably increased their trade with Egypt, Iran and Turkey. The bilateral agreement concluded between the U.S.S.R. and Iran in 1950 and extended in 1951 provided for the exchange of cotton piece-goods, sugar, rails and other iron and steel products, cement, glass and paper, against rice, cotton, dried fruits, oilseeds, tobacco, wool and goatskins.

The Far East

Though the use of bilateral trade agreements is spreading in the Far East they are still relatively unimportant. Many of the Far Eastern countries maintain close financial links and clearing facilities with Europe: India, Pakistan, Burma, Ceylon, Hong Kong, and Malaya with the sterling area, the Associated States of Indo-China with France, and Indonesia with the Netherlands. Moreover, the United Kingdom and the United States, which are the
chief participants in the foreign trade of the Far East, have not sought to use the trade agreement technique in conducting trade with this region. Nevertheless some such agreements exist. While European countries have sought to secure supplies of primary products, countries of the Far East have endeavoured to establish sources of supply of capital goods for their industrial development. On account of the decline in export earnings, following the recession in raw material prices, the financing of imports has again become an important problem for the Far East.

The liberalization of European imports has affected the scope of these agreements since several countries have extended their liberalization measures to their imports from Indonesia and the countries of the sterling area in Asia. Mostly they follow the pattern of India's agreement with Western Germany wherein two lists for Indian exports were drawn up: liberalized treatment was accorded to commodities such as tobacco, hides and skins and ores, while quotas were fixed for a number of goods, including tea, textiles and oils. Western Germany obtained larger quotas for her exports and agreed to provide technical assistance for Indian development projects. With a view to diversifying the sources of their imports and destinations for exports, India and Pakistan, more consistently than other countries of the Far East, have concluded trade agreements with the important trading nations of Europe.

Except for Japan, the number of bilateral trade agreements between countries of the Far East is relatively small. Thailand, Burma and China have barter agreements to supply rice to India, Pakistan and Ceylon. In recent years, Ceylon has tried to promote trade with India and Pakistan, and with the help of trade agreements has been able to export copra, rubber and oil and to import cotton textiles, coal and jute. India and Pakistan concluded their fifth bilateral trade agreement in August 1952 for the period ending 30 June 1953; it provided for exports of hides, skins and fish from Pakistan and for certain categories of iron and steel, railway material, timber and certain types of machinery from India. It excluded such important articles as cotton, jute and coal, but in March 1953 a three-year agreement was concluded providing for the sale of jute by Pakistan and for coal shipments by India. China had no agreement in 1952 with Indonesia and has only recently concluded an arrangement which provides for a mutual promotion of trade. China has a barter agreement with Ceylon for the duration of five years whereunder Ceylon has agreed to supply 50,000 tons of sheet rubber annually and China will sell 250,000 tons of rice at a price which is reported to be considerably below the world market. China has also concluded a three-year barter agreement with Pakistan, to supply 84,000 tons of coal annually in return for 1.8 million bales of jute.

In 1948 the Occupation Authorities in Japan (SCAP) negotiated agreements designed to expand Japanese trade with other far eastern countries, and since the entry into force of the Treaty of Peace the Japanese Government has continued with the policy of making bilateral arrangements. Japan has sought to secure badly needed industrial raw materials in exchange for capital equipment
and consumer goods. However, at present, Japan's prices of capital goods are often higher than world prices, and trade has not developed as well as expected.

A number of agreements have been concluded with other countries of Asia. Under the agreement with Ceylon, Japan gives technical assistance in addition to capital equipment: each government undertakes to grant import and export licences for trade between them as freely as possible, and all payments are to be settled in sterling. Pakistan also signed an agreement with Japan, providing for an exchange of goods worth $84 million in each direction, in which Japan agreed to facilitate the export of capital goods on a deferred payment basis. Burma and the Philippines have renewed their agreements with Japan. The trade of Thailand and Indonesia with Japan is based on dollars: they have been able to obtain an increased supply of Japanese goods and, in addition, they are reported to have bought a considerable amount of Japanese goods with sterling in Hong Kong markets.

Japan has also concluded agreements with European and South American countries. A one-year agreement with Italy, signed in December 1952, provides for a balanced trade of $15 million each way: Japan's exports include iron and steel products, textiles and marine and chemical products, while Italy's main exports are rice, salt, chemical products and machinery. Japan's agreement with Finland for the year 1953 does not include a list of commodities, but both governments agree to accord liberal licensing facilities to the products of the other. Under the agreement with Brazil, Japan aims at exporting goods worth $33.5 million and importing $35.6 million worth of goods, mainly cotton and coffee.
PART III

THE GENERAL AGREEMENT ON TARIFFS AND TRADE

The Activities of the CONTRACTING PARTIES to GATT

In 1952, as in the periods covered by earlier pamphlets and reports, the activities of the CONTRACTING PARTIES were directed to three main tasks, namely the reduction of customs tariffs, reports and consultations on the use of quantitative restrictions, and the settlement of differences arising between governments from their obligations under the Agreement. In addition, the CONTRACTING PARTIES made a beginning in dealing with customs formalities and other administrative barriers to trade - a subject which may well come to be one of the most fruitful for future work. This part of the present report resumes the account of action in these fields, with special reference to the Seventh Session of the CONTRACTING PARTIES in October 1952, and indicates some of the problems that lie ahead.

THE SETTLEMENT OF COMPLAINTS

A complicated international agreement, the obligations of which extend to a large number of countries, inevitably leads to differences of view as to its application and, therefore, requires an effective and objective procedure for hearing differences and giving interpretations. Under the provisions of the Agreement a contracting party which considers that a benefit which should accrue to it is being nullified or impaired or that the attainment of any objective of the Agreement is being impeded is expected, in the first instance, to seek consultations with the parties concerned. If after consultations no satisfactory adjustment is reached a complaint may be lodged, and the CONTRACTING PARTIES are then required to carry out a prompt investigation and to make recommendations or give rulings. This right of ultimate recourse to the CONTRACTING PARTIES undoubtedly acts as a stimulus to reach a settlement through the direct consultation procedure. Many differences have been settled in direct consultations and those which have not yielded to this treatment have been brought before the CONTRACTING PARTIES at their annual sessions. Some have been rejected, others sustained; and in many cases, remedial action has been taken by the contracting parties concerned. In 1952 a number of differences were examined by the CONTRACTING PARTIES; some of these had been submitted earlier, others were new complaints.
A complaint satisfactorily settled in 1952 concerned the United Kingdom system of purchase tax on textiles, clothing and footwear. According to the charge brought by the Netherlands and supported by several governments in Western Europe and Canada, this tax constituted a violation of the Agreement in that it was applied to imported articles of kinds which when produced domestically were exempt from tax. The charge of discrimination in favour of domestic products — though the discrimination was entirely unintentional — was not contested by the United Kingdom Government, and after an investigation of the utility schemes and purchase tax the system was revised in order to bring the administration of the tax into full conformity with the provisions of the General Agreement.

At their Seventh Session in October 1952, the CONTRACTING PARTIES reviewed the complaint which had been brought a year earlier by the Governments of the United States and Canada against restrictions imposed by Belgium on imports requiring payment in dollars. When this complaint was first discussed it was known that during the course of 1952 a consultation would take place between the Government of Belgium and the International Monetary Fund concerning the further retention of transitional exchange arrangements and that this would involve an examination of the need for the dollar restrictions. Accordingly, it was decided to await the outcome of the Fund's consultation before proceeding with the hearing of the complaint. The results of the consultation were transmitted to the CONTRACTING PARTIES at their Seventh Session: the Fund considered that relaxation of exchange restrictions was feasible and requested Belgium to reconsider the necessity for the level of restrictions affecting dollar imports. The Belgian representative announced that his Government would endeavour to meet the opinion thus expressed by the Fund; it felt that the slow improvement in its external finances justified caution in returning to a régime of freedom from quantitative restrictions, but undertook to introduce measures which would go a long way towards the removal of the dollar restrictions. In view of that assurance the complaint was not pressed, and on 1 February 1953, the restrictions were extensively relaxed. 1)

Another complaint reviewed at the Seventh Session concerned the imposition of quantitative restrictions on imports of dairy products by the United States Government. As with the purchase tax, the government against which the complaint was lodged did not deny that these measures were not in conformity with the General Agreement. It was recognized that Section 104 of the Defense Production Act required the Administration in certain circumstances to place restrictions upon importation for which there was no justification in the Agreement. During the previous Session, in 1951, the United States Government had undertaken to seek the amendment of this legislation, but the Act had been renewed

1) Some details of the restrictions imposed in 1951 and of their modification in 1953 were given on page II.
and the restrictions, though some of them were substantially relaxed, had remained in force. The CONTRACTING PARTIES asked the United States Government to renew its efforts to secure the repeal of Section 104. The Government of the Netherlands requested authorization to suspend the application of its obligations under the Agreement to the extent necessary to impose a specified upper limit on imports of wheat flour from the United States during 1953. This action was approved by the CONTRACTING PARTIES as an appropriate compensatory measure. Nevertheless, the Netherlands and the other contracting parties whose trade was damaged by the restrictions (principally Canada, Denmark, France, Italy, and New Zealand) thought that a suspension by them of obligations or concessions towards the United States was not a satisfactory means of adjustment - retaliation causes a further reduction in trade, contrary to the objectives of the Agreement, and is in any case no remedy for the discouragement of exporters in their efforts to win markets which can be arbitrarily denied to them; they considered that the only acceptable settlement would be the complete withdrawal of the restrictions by the United States.

This dairy products case is fraught with great significance for the future of the GATT, because the effectiveness of the Agreement depends upon the willingness of governments to abide by its rules and by the rulings of the CONTRACTING PARTIES on its interpretation and application.

The recent India-Pakistan dispute provides a good example of how the friendly offices of the CONTRACTING PARTIES may contribute to a satisfactory settlement, even when they are not called upon to make any rulings or findings. In October 1952 the Government of India informed the CONTRACTING PARTIES of certain difficulties which had arisen in India's trade with Pakistan. It was stated that the Government of Pakistan charged a licence fee on raw jute exported to India but not on exports to other destinations, and that an export duty was charged according to the type of packing which also constituted a discrimination against India. After the case was heard the Chairman of the CONTRACTING PARTIES suggested that the two Governments should make a further effort to reach agreement through bilateral negotiation and that the problem of the charges on jute might be more successfully resolved if considered together with other matters affecting the trade of the two countries, notably the supply of coal by India to Pakistan. (For some time the Government of Pakistan had complained that their importers were required to pay a higher price than Indian consumers for supplies of coal and had experienced difficulty in obtaining delivery of normal quantities.) The two Governments agreed to seek a settlement through direct negotiation. Their first attempt to agree on a basis for consultations was not successful. At a meeting of the Inter-sessional Committee in February 1953 the Chairman of the CONTRACTING PARTIES

1) Details of the restrictions are given on page .
again held discussions with representatives of the two Governments. Then new consultations were begun and in a short time agreement was reached along the lines proposed: the Government of Pakistan removed the licence fee on exports of raw jute to India and also made the export duty uniform for all types of packing, and the Government of India reduced the price of coal exported to Pakistan to the level of the price charged to Indian consumers. In addition, the two Governments agreed to facilitate their trade in raw jute and coal and to hold further discussions to widen the scope and expand the volume of trade between the two countries. While this agreement was clearly in the main due to a desire on both sides to arrive at a reasonable settlement of the difficult and important questions at issue, the friendly advice of the CONTRACTING PARTIES on the rules and spirit of the General Agreement undoubtedly contributed to the successful outcome of the negotiations. In this manner India and Pakistan were enabled to reach a mutually satisfactory arrangement for the conduct of trade, on the basis of the most-favoured-nation treatment required by the General Agreement, the absence of which had troubled their economic relations for several years.

For dealing with complaints presented for the first time at their Seventh Session, the CONTRACTING PARTIES devised a new method. They appointed a small Panel composed of representatives of countries not directly affected by the charges to be examined. Each party concerned was invited to present its case and was afforded an opportunity to discuss the various points arising therefrom. The Panel then considered the information and arguments laid before it and prepared its findings and recommendations which, after discussion with all the parties concerned, was submitted in final form to the CONTRACTING PARTIES. Under this procedure four complaints were examined.

Two of these complaints, lodged by the United Kingdom and France, concerned measures introduced in 1952 by the Government of Greece. At the Annecy and Torquay Tariff Conferences Greece had bound against increase the rates of duty and the coefficients, used for currency conversion in connection with specific duties, on various items of its customs tariff. As an emergency measure to cope with financial difficulties the Greek Government increased some of these coefficients in July 1952. The Government recognized the validity of the United Kingdom contention that this action was not consistent with the General Agreement, and undertook to restore the coefficients bound in its schedule not later than 1 July 1953. The French complaint was more complicated. The Greek Government introduced a special "contribution" to be levied on certain imported goods, which it described as a charge on foreign exchange allocated for importation and as equivalent to a multiple currency practice. This measure was intended to narrow the gap between the official exchange rate for the Greek currency and its effective purchasing power. Several contracting parties claimed that this levy was an internal tax and, contrary to the provisions of the Agreement, was applied only to imported goods, and, further, that even if it were not to be treated as an internal tax it would
still constitute a violation of the Agreement in that it was an additional charge on items bound in the Greek schedule. The Panel found that the CONTRACTING PARTIES did not have sufficient information concerning the character of the tax to determine whether it should be treated as an internal tax or charge on imported products within the meaning of the General Agreement. And, further, the Panel found that it would be necessary to ascertain from the International Monetary Fund whether the tax system constituted a multiple currency practice in conformity with its Articles of Agreement. The required information was to be obtained and the examination of the complaint was to be resumed at the Eighth Session, but in April 1953 the Greek drachma was devalued by 50 per cent, a unified exchange system was restored and the offending levy was abolished.

The Norwegian and Danish Governments brought a complaint against the Government of Belgium about the levy of a charge on foreign goods purchased by public bodies when they originate in a country whose system of family allowances does not meet specified requirements; a number of contracting parties had obtained exemption from this levy, and the complainants claimed equal treatment. After hearing the parties concerned and examining the legal provisions for the collection of the charge, the Panel concluded that, in view of the legal issues involved, it was difficult to recommend a definite ruling, but they reported that the legislation appeared to be inconsistent with the most-favoured-nation provisions and was difficult to reconcile with the spirit of the Agreement. Therefore, on the proposal of the Panel, the CONTRACTING PARTIES recommended the Belgian Government to remove the discrimination.

The fourth complaint referred to the Panel at the Seventh Session in October 1952 was that of the Government of Norway alleging that Germany was discriminating in customs duties and taxes and in the relaxation of import restrictions against Norwegian sardines. In the opinion of the Panel the evidence produced did not warrant a finding that the measures taken by Germany were in conflict with the provisions of the Agreement, but they did consider that these measures resulted in an impairment of the tariff concessions granted to Norway at the Torquay Conference. Accordingly, on the proposal of the Panel, the CONTRACTING PARTIES recommended that the Government of Germany consider removing the competitive inequality of which the Norwegian Government complained. The two Governments are to engage in consultations and report to the Eighth Session.
REDUCTION OF TARIFFS

The reduction of customs tariffs is stipulated in the preamble to the General Agreement as one of the principal means of attaining the Agreement's objectives. Several plans to bring about further reduction received careful scrutiny during the course of 1952 and preparatory inquiries were carried out on the existing levels of tariffs. New methods of reduction were explored. As an alternative to the lowering of tariffs by "reciprocal and mutually advantageous arrangements", some governments have envisaged uniform percentage reductions by all countries willing to participate. Another important event in 1952 was the application of Japan to accede to the Agreement.

The search for new techniques

During the course of the Torquay tariff conference, it became apparent that the techniques hitherto employed as the basis for negotiating tariff reductions were not likely to yield substantial results in the future. The difficulties there encountered by the "low-tariff" countries were described in GATT in Action, but it may be useful briefly to summarise these difficulties again. Having bound their tariffs at low levels in the course of the Geneva and Annecy negotiations some countries considered that they had little to offer in the way of tariff reductions in any further negotiations. They had found in practice that, notwithstanding the rule that the binding of a low duty or of duty-free treatment is to be recognized as equivalent in value to a reduction of a high duty, the "high-tariff" countries were not prepared to make further reductions merely in return for a rebinding of low rates.

The view was expressed, however, that the problem was of a more general character and involved a re-appraisal of the negotiating techniques which had been followed in the Geneva, Annecy and Torquay conferences. Underlying this suggestion was the belief that new methods would be necessary if tariff reductions were to play a significant part in restoring equilibrium in international trade. Tariff reductions which, as a result of the rigid application of the principle of reciprocal advantage, merely bring an expansion of trade between surplus and deficit countries in more or less equal degree - however desirable this may be in itself - cannot contribute to the elimination of current balance-of-payment deficits. It is, therefore, desirable to consider whether there are other techniques which, while contributing to the expansion of international trade, will also serve the more urgent purpose of promoting the restoration of international economic equilibrium.

The CONTRACTING PARTIES have undertaken to review the continuing efficacy of the negotiating procedures as tested in the tariff conferences, and, in this, they have taken as their starting point the difficulties experienced by
the "low-tariff" countries. As alternative methods of tariff reduction, two suggestions were put forward for discussion in 1951: these are the Benelux proposal for the reduction of high tariff rates, so as to reduce the disparity in the customs tariffs of Europe, and the French plan for the worldwide reduction of the incidence of tariffs by 30 per cent in three annual stages of 10 per cent each.¹

Technical aspects of this French plan have been examined by a group of European countries, Canada and the United States. The plan calls for the reduction of the incidence of the duties in several sectors of a customs tariff rather than of each rate of duty; the original proposal envisaged the division of tariffs into sectors by the main branches of economic activity to each of which the reduction formula would be applied, but a more recent version provides for ten sectors. However, an obligation to reduce the weighted incidences by an agreed percentage gives no guarantee that exceptionally high and prohibitive duties will be lowered; hence certain aspects of the Benelux proposal directed specifically to secure the reduction of high duties have been incorporated in the French plan.

The results of a preliminary examination were submitted to the CONTRACTING PARTIES at their Seventh Session in October 1952 when it became clear in the course of discussion that time for further study would be needed. The plan has been further refined and a second report will be submitted to the Eighth Session in September 1953. At that time the CONTRACTING PARTIES may have occasion to broaden the scope of the discussion of tariff techniques, which have so far been limited to the specific proposals contained in the Benelux and French plans, since they will probably wish to consider the possibility of making further advances in tariff reduction and the methods which would offer the best prospect of fruitful results.

The assured life of the schedules

The tariff concessions contained in the original schedules annexed to the General Agreement entered into force in 1948 with an assured life until the end of 1950, and after that time a contracting party could modify or withdraw any concession by negotiation and agreement with the government with which it had been negotiated. Governments involved in such negotiations were to endeavour to maintain a level of concessions not less favourable to trade than those originally provided for in the schedules. If no agreement could be reached on compensatory adjustments on other products, the contracting party

¹) Another scheme for tariff reduction which received attention in 1952 was the so-called "Low Tariff Club" which was put forward in the Council of Europe. This envisages the establishment of duty ceilings for the principal categories of products. The CONTRACTING PARTIES examined the technical aspects of this plan and submitted a report to the Council.
would, nevertheless, be free to modify or withdraw the concession and, in that event, the other contracting party could withdraw equivalent concessions.

Thus there has always been the possibility that, after the period of binding, extensive renegotiation and possibly withdrawal of items might ensue with the danger of a gradual or even speedy unravelling of the network of concessions. To prevent this eventuality the assured life of the schedules was extended for a second period of three years until the end of 1953. At their Eighth Session the CONTRACTING PARTIES will have to decide either to prolong the life of the schedules for a further fixed period or to allow the renegotiation procedure to operate as and when contracting parties wish to make changes in their lists of concessions. A firm binding of the schedules for a period of years is generally considered desirable in view of the stability thus given to a large part of the principal tariffs of the world.

Accession of Japan

With thirty-three contracting parties, the General Agreement has been accepted by countries which conduct more than 80 per cent of the world's international trade. In July 1952 the nation with the largest external trade among those remaining outside the Agreement, namely Japan, requested an opportunity to enter into tariff negotiations with the contracting parties with a view to accession.

Since the Second World War, Japan's share of world trade has not exceeded 5 per cent, but it was more than 7 per cent in 1938. Exports of Japan - textiles, articles of clothing, machinery, toys, etc. - entered many markets in competition with the products of older industrial countries. Japan's competitors claimed that her products were sometimes sold at prices below costs of production and that those costs were themselves depressed by the low standard of living of the Japanese people. To stop the sudden flooding of markets, special restrictions were imposed on Japanese manufactures in the competing countries themselves and in their dependent territories in Asia and Africa. The Japanese application for accession to the Agreement has been examined in the light of memories of this prewar experience with the thought that it might be possible to provide safeguards against a recurrence of circumstances which produce such violent disruption of trading conditions. The other difficulties experienced in trade with Japan before the War - the not uncommon disregard of patents, trade marks and copyright and the use of false marks of origin - were not forgotten, but the present Japanese Government has shown determination in preventing a revival of these malpractices.

In discussing the conditions under which arrangements could be made for Japan to accede to the Agreement, the CONTRACTING PARTIES have recognized the desirability of Japan taking her rightful place in the community of trading nations and her need for increased participation in world trade predicated
by a large population and shortage of food and industrial materials. In discussions of possible safeguards against renewed disruption of markets it has been recognized that it would be undesirable to qualify Japan's accession by special conditions directed against competition arising from a genuine long-term efficiency of Japanese production or by provisions which would establish a distinction between the treatment accorded to Japan and that accorded to other contracting parties.

Japan's application was discussed at the Seventh Session in October 1952 and again at a meeting of the Intersessional Committee in February 1953. An examination of the Agreement revealed that those circumstances were not specifically covered. The possibility of amending the Agreement was considered, but an alternative suggestion received more support. It is proposed that the provision for consultations and the suspension of obligations or concessions, when benefits accruing under the Agreement are being nullified or when the attainment of the objectives of the Agreement is being impeded, should be given an agreed interpretation recognizing that contracting parties might have recourse to these remedies in the event that a violent disruption of trading conditions of the type under consideration should occur. The circumstances in which recourse might be had to such action and provision for post, instead of prior, consultation in the event of emergency were worked out in detail and have been referred to the CONTRACTING PARTIES for consideration.

The prospects for future tariff negotiations

At the Eighth Session the CONTRACTING PARTIES will have to consider the whole question of future negotiations. If the proposed conditions for the accession of Japan are accepted, the principal obstacle to the completion of arrangements for negotiations between the present contracting parties and the Japanese Government will have been eliminated. Most contracting parties consider that all the negotiations with Japan should be conducted at the same time and place, but a number of suggestions have been made which will require consideration before the timing of the negotiations can be determined. When the contracting parties negotiated one with another at Geneva in 1947, no-one foresaw that within a few years Japan might be acceding to the Agreement. The accession of Japan may render necessary some adjustments in the trading arrangements of the present contracting parties.

These adjustments could most easily be made, it has been suggested, if the negotiations with Japan take place as part of a general round of tariff negotiations in which the present contracting parties, and in particular the major trading countries, would be expected to make appropriate contributions to a further general lowering of tariff barriers. But in view of the decision of the United States Government to seek renewal of the Reciprocal Trade Agreements Act for one year only and to review the whole basis of its commercial policy, it is not expected that the United States will be ready to enter into negotiations either with Japan or with other contracting parties at any time during that period.
Developments in the tariff field throughout the world will be strongly influenced by the re-orientation of commercial policies in the United States where there are signs of new thinking in many sectors of business. Mass-production industries which have enjoyed protection for many years may be prepared to face foreign competition without the shelter of customs duties. Some of them appear to have reached that degree of strength where they no longer need a tariff, either to afford protection or as a means of bargaining to obtain entry into foreign markets. The main difficulties that stand in the way of tariff reduction by the United States are those of agriculture and of small business where labour costs are of greater relative importance; for this type of enterprise the protection afforded is likely to be of real significance and its removal might involve the government in problems of finding other means of assistance or compensation. Moreover, as pointed out above, the adequacy of a policy of strict reciprocity, when most of the world is suffering from an acute dollar shortage, is being widely questioned. The real test of the ability of the United States to adopt the appropriate commercial policy for a greater creditor nation lies in new attitudes to the receipt of payment in goods.

Regional arrangements

Apart from the reduction of tariffs, which result from ordinary techniques of negotiation and benefit all countries enjoying rights to most-favoured-nation treatment, the General Agreement envisages the reduction of duties between countries through arrangements for customs unions and free-trade areas. The CONTRACTING PARTIES have the responsibility to see that such arrangements are designed to achieve their objectives within a reasonable time.

The Governments of South Africa and Southern Rhodesia entered into a customs union agreement in 1949. Their arrangement with the CONTRACTING PARTIES does not require them to complete the elimination of barriers to trade between their territories or to adopt a uniform tariff for imports from the rest of the world until 1959. Southern Rhodesia continues to levy customs duties on some 30 per cent of its imports from South Africa. The difficulty of removing the protection thus afforded to the young industries of Southern Rhodesia remains a substantial obstacle to the completion of the union, and this is now further complicated by the project for federation in Central Africa in which Southern Rhodesia would join with Northern Rhodesia and Nyassaland. The other special arrangement made since the General Agreement entered into force is the free-trade area between Nicaragua and El Salvador, the latter not being a contracting party. The Treaty between these two governments provides for the removal of all restrictions between their territories, but each retains its own tariff for imports from other countries. The development of these special arrangements is reviewed annually.
Other customs unions and free trade-areas have been projected in various parts of the world. In Central America the Republics which were at one time joined politically are striving towards a new arrangement to strengthen their economic ties by commercial union. For the British colonies in the Caribbean a customs union scheme has been prepared. The Governments of Chile and Argentina recently announced their intention to negotiate a treaty of customs union. In Europe various projects have been considered from time to time; the draft agreement between France and Italy, the proposal for a union in Scandinavia, and now a plan put forward by the Netherlands for a customs community in which Benelux would join with France, Italy and Germany. Any one of these schemes, on reaching the stage of an agreement would have to be referred to the CONTRACTING PARTIES where it would be examined to ensure that the arrangements would not introduce discrimination but could be expected to lead within a reasonable time to a genuine commercial union affording the full benefits of a one-market economy to the participating territories.

The difficulties encountered in the completion of a customs union are always great and may even prove insurmountable. Even in the Benelux Union some quantitative restrictions are still maintained. All barriers cannot be suddenly removed if there are great differences in the relative security of monetary reserves, the strength and stability of currencies and in levels of wages. The removal of divergences in wage legislation, in systems of taxation and in other economic and social legislation may require years of study. The economic readjustments may bring losses for individuals and problems of compensation for governments. But, on the other hand, the handicaps which follow from the division of economic life by the boundaries of small political units become increasingly burdensome with the growth of large-scale production and distribution. In many instances the people of neighbouring countries would benefit materially from the elimination of barriers which confine their development and limit the expansion of their trade. Economic advantage cannot forever be sacrificed to tradition and to the inertia of political forms. While the General Agreement acknowledges the advantages to be gained by countries which enter into such agreements, it should be seen that the path to regional integration is long and arduous and that those who devote their energies in these directions would be wise to recognize that their efforts should be concurrent with, and should not impede advances on the broader front towards a restoration of multilateral trade.

The European Coal and Steel Community

While the Agreement contains elaborate provision for interim agreements leading to the formation of customs unions and free-trade areas, no provision is made for the formation of unions limited to sectors of trade such as the Coal and Steel Community in Western Europe. Therefore the plans of the Governments of Benelux, (Belgium, Luxemburg and the Netherlands), France, Germany and Italy to create a single market throughout their territories for coal and steel had to be submitted to the CONTRACTING PARTIES as a request for a waiver of obligations.
At the Seventh Session the CONTRACTING PARTIES examined the Treaty, constituting the European Coal and Steel Community, and its annexed Convention and found that the objectives of the Community were broadly consistent with those of the General Agreement. The six governments put forward the view that the development of a closer integration of their economies, brought about by the elimination of barriers to the free movement of coal and steel products within their territories, would result in an increase of products available to other countries and in a widening of the opportunities for the sale of products in the common market by other contracting parties.

This problem was posed in an earlier report, GATT in Action, which said that the CONTRACTING PARTIES would have to steer a difficult course between the rigid application of rules and the acceptance of regional arrangements which could weaken the principle of equality of treatment. This has been done. On the understanding that the Community will take account of the interests of third countries both as consumers and as suppliers, the CONTRACTING PARTIES granted a waiver, in November 1952, authorizing the six governments to eliminate within the Community all import and export duties and quantitative restrictions.

These common markets have now been established. Developments through the five years of the transition period provided for in the Convention will be closely followed by the CONTRACTING PARTIES through the annual reports which the six governments have undertaken to furnish. As with customs unions, the CONTRACTING PARTIES will be particularly concerned to see, first, that the single market is in fact maintained, i.e. that no barriers to the movement of coal and steel products within the Community are imposed by any of the governments and, secondly, that the tariffs and restrictions imposed by the six governments on imports of coal and steel products from other contracting parties, if harmonised, are made no more restrictive than those in force when the waiver was granted.
ADMINISTRATIVE BARRIERS TO TRADE

The work of the CONTRACTING PARTIES in tackling customs formalities and administrative barriers goes back to 1950 when they drew up standard practices for the administration, by governments, of import and export restrictions and exchange controls. In 1952 the CONTRACTING PARTIES carried a stage further their endeavour to bring about a simplification of governmental regulations which act as a hindrance to international trade. At the Seventh Session they adopted a code of standard practices for documents which are required for importation; they also made several recommendations which envisage the elimination of consular visas and formalities as soon as possible and in any case not later than 1956. They also drew up a Convention to facilitate importation of samples and advertising material.

The initiative for this attempt to persuade governments to reduce the diversity and complexity of documentation and to eliminate consular visas and formalities came from those actually engaged in the conduct of trade. Resolutions drawing attention to the difficulties arising from the expense and clerical work imposed on traders and to the need for abolishing consular formalities were adopted by the International Chamber of Commerce at its Lisbon Congress in 1951 and were submitted to the CONTRACTING PARTIES.

Among the points noted by the CONTRACTING PARTIES when they were drawing up the code of standard practices for documentary requirements and the recommendation to abolish consular visas were the following: an error of compilation or the misplacement of any one document, such as a transport paper, a consular invoice or a certificate of origin, can result in severe hardship out of proportion to the usefulness of the documents; the complexity of consular formalities required by some countries and the excessive charges accompanying them are among the most serious of the invisible barriers to trade; exporters are often obliged to fill in a disproportionate number of copies of the documents required; and the consular fee charged is often a high percentage of the value of the goods. So far as consular invoices are concerned, the CONTRACTING PARTIES noted that a large part of the world's trade is in fact carried on without them.

The CONTRACTING PARTIES at their Seventh Session adopted the text of an International Convention to Facilitate Importation of Samples and Advertising Material. The Convention was opened for signature in February 1953. The original proposal for such a convention was put forward by the International Chamber of Commerce, together with other proposals (including those described above) which had the same general purpose of reducing and simplifying governmental regulations which hinder international trade. The broad purpose of the Convention is to minimize the costs and reduce the formalities and delays.
with which traders and merchants are confronted in sending samples and advertising material from one country to another. Countries which adhere to the Convention will, when it comes into force, undertake between them (a) to allow samples of negligible value to be imported duty free, (b) to allow samples of value to be imported duty free on a temporary basis, subject to deposit or security being given, (c) to allow specified types of advertising material including advertising films to be imported duty free and (d) to exempt samples and advertising material, with specified exceptions, from import prohibitions and quota restrictions.

THE REMOVAL OF QUANTITATIVE RESTRICTIONS

A substantial part of the work of the CONTRACTING PARTIES arises from the continued use of quantitative restrictions to safeguard balances of payments and monetary reserves and with the discriminatory application of these restrictions including the bilateral arrangements between governments for the exchange of products. The concern of the CONTRACTING PARTIES with these policies lies in the fact that discriminatory quantitative controls and bilateral trading arrangements run counter to the objectives of the General Agreement. Their elimination is one of the principal aims of the CONTRACTING PARTIES. But the agreement recognizes the necessity for the continuation of these practices during the post-war years of transition by governments which suffer disequilibrium in their external financial situation. Twenty-three contracting parties at present resort to these provisions of the Agreement, of which all but two are availing themselves of the permission to deviate from the rule of non-discrimination during the transition period. The practice of discrimination is subject to supervision by the CONTRACTING PARTIES. The third round report on discriminatory practices, incorporating a statement on consultations on the continuity of discrimination, was published in November 1952.

In addition to these consultations on the discriminatory aspects of balance-of-payment restrictions, the CONTRACTING PARTIES are required to consult with a government which substantially intensifies its restrictions, and, secondly, they may at any time invite any contracting party which is applying restrictions to enter into consultations with them. Five such consultations were held in 1952 — with France, United Kingdom, Australia, Ceylon and Pakistan. In those consultations the CONTRACTING PARTIES paid more attention than they had done in the past to the commercial aspects of the restrictive policies. In each consultation the representatives of other governments were given an opportunity to seek information on questions of policy and on the administration of the restrictions, both in general terms and in relation to individual products — licensing procedures, allocation of
quotas, programming of imports, bilateral purchase commitments. The consulting governments, for their part, acknowledged the importance of applying restrictions in such a manner as to avoid unnecessary damage to the commercial and economic interests of other contracting parties.

The incidental protective effects of restrictions were an important subject of questioning in the 1952 consultations and bid fair to become an increasing preoccupation of the CONTRACTING PARTIES in the years to come. Although the governments applying restrictions have acknowledged the desirability of reducing these protective effects to a minimum, it must be accepted that most quantitative restrictions, whether governments intend it or not, are performing two functions - the one financial, the other protective. There is, therefore, an ever-present danger that the protectionist factor may become a guiding consideration in determining which items are to be subject to licence. Many enterprises have not had to compete with imported products in substantial quantities for fourteen years or more, and young industries which have grown up or become established during or since the Second World War have never had to face the full impact of competition with imports. Therefore it will be surprising if governments are prepared to remove their import restrictions when these are no longer justified under the terms of the Agreement without giving careful consideration to the consequences of this action on domestic production. Some governments, as their financial position has strengthened, have first removed the restrictions which had the least protective value while retaining those on products more sensitive to foreign competition. This may be observed in the operation of the liberalization scheme among members of the Organisation for European Economic Cooperation where there has been a high degree of selectivity in the choice of items to be included in the liberalized sector and most items which are particularly sensitive to foreign competition have remained subject to import restriction. The real text will come when the improvement in the financial situation requires the removal of even those restrictions whose protective incidence has been most pronounced.

Among governments applying restrictions, as well as in the consultations of the CONTRACTING PARTIES, there seems to be a growing recognition that restrictions cannot, in themselves, provide a satisfactory solution for balance-of-payment difficulties. Restrictions have inflationary effects in the importing country and intensify the financial difficulties of others; thus their general use as a remedy for balance-of-payment deficits brings relief to none. Other solutions which can lead to an expansion of trade are now being sought.

Each year has opened with fresh hope of improved financial circumstances, enabling governments to turn from discriminatory trade practices to a regime of freer trade and exchange. Most years have ended in disappointment with the slight progress achieved or with a retrogression from the goal. The outlook for 1953 is more promising. The year opened with high hopes that the improvements witnessed in 1952 would be carried forward to greater achievements.
end of 1952 and the early months of the new year saw a series of international consultations to prepare for the final attack upon the financial disequilibrium which has bedevilled trade and exchange policies ever since the War. In London, in December, the Commonwealth Prime Ministers reached agreement on a collective approach to the United States, and in March, their views were presented to the Government in Washington and to the members of the OEEC in Paris. The European Organisation, in turn, presented its case to the United States in April. These triangular discussions, embracing the nations which conduct more than three-quarters of world trade, are by way of preparation for the vital stage of taking decisions which will come when the new Government in the United States has formulated its international economic policy.

Although no resolutions and no declarations of action to be taken in the near future have emerged from the consultations on trade and financial policy, it appears that a greater harmony of views and purpose has been achieved. Moreover, there is evidence of a new determination to tackle the basic problems and to apply to their solution expansive rather than restrictive policies. The foundations have been laid for co-ordinated action on a broad front. The restoration of currency convertibility and freer trade are set up as twin objectives, neither being attainable without the other. But it would be unwise to expect far-reaching results to be achieved in 1953. A long period of concentrated effort will be required for the liquidation of the post-war controls on exchange and trade. In particular, the United States Government has made it clear that it needs time to consider the modifications or developments of its foreign economic policy that may be required if the United States is to make an appropriate contribution to the movement towards freedom and expansion of international trade and payments.

This period of study and preparation will be a difficult one, and not the least so for the international organizations working in the field of trade and payments. These organizations will have an important rôle to play in the working out and application of any fresh programmes which governments may decide upon. In the meantime they will have a less spectacular but extremely significant task in holding the ground which has already been won.