

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.TD/W/42

29 December 1966

Limited Distribution

Committee on Trade and Development

Eighth Session

Punta del Este, Uruguay

16-20 January 1967

INTERNATIONAL TRADE 1965

Note by the Secretariat

It has been suggested that the Committee, when discussing developments relevant to the objectives and provisions of Part IV of the General Agreement at its eighth session, may wish to refer to, and make use of, the contents of the secretariat annual report on "International Trade 1965". The present paper is intended to serve as a ready index to the principal findings and observations contained in the report.

I. RECENT TRENDS IN INTERNATIONAL TRADE

Main Features of International Trade During 1965

The value of world exports increased by more than 8 per cent in 1965, a fairly high rate of growth for the third year in succession. In volume terms, the increase was about 7 per cent, as against a growth of very approximately 6 per cent in world commodity output. In other terms, the rapid intensification of world trade, noted in 1964, when the volume of exports increased by some 10 per cent and output by only about 6 per cent, did not continue in 1965. It appears, however, that this change was the outcome of two contrasting tendencies. On the one hand, world agricultural production, and more particularly food production, advanced very little in 1965, while trade in foodstuffs, partly thanks to substantial de-stocking and to the good 1964 crops in a number of exporting countries, continued to expand fairly rapidly in volume terms. On the other hand, world manufacturing production increased at about the same rapid rate in 1965 as in 1964, but there was a marked slowing down in the growth in the volume of world exports of raw materials and manufactures. (Pages 1-2)

In 1965, the deceleration in the rate of growth of exports of manufactures (including base metals) was concealed by a significant increase in their unit value while the unit value of world exports of primary products (excluding base metals) declined somewhat, following the significant increase registered in 1964.

As a result, the overall price increase in the dollar value of world exports was only about 1 per cent, as against 2 per cent in 1964. Nevertheless, the past three years have seen a clear upward trend in the overall price level of world trade, largely under the impact of the resumption of the increase in prices for manufactures. This stands in contrast with the overall stability prevailing between 1953 and 1962 and indicates that the domestic inflationary tendencies have started to affect the stability of prices in international trade. (Pages 2-3)

The industrial areas registered, in 1965, an export surplus after having been practically in balance during the two previous years. This surplus was entirely registered in the trade with Australia, New Zealand and South Africa, the significant deficit with the less-developed areas remaining the same in 1965 as in the two previous years. The less-developed areas maintained their very small overall surplus, as their substantial 1964 deficit with the Eastern Trading Area was somewhat reduced in 1965. The Eastern Trading Area also maintained its small overall surplus, thanks to a decrease in the deficit with the industrial areas. (Pages 3-4)

Since 1959, internal trade of both the European Economic Community and the European Free Trade Association has consistently grown at higher rates than world trade and the same applied, since 1961, to LAFTA (Latin American Free Trade Association) and CACM (Central American Common Market). The growing regionalization of world trade was an important feature of the 1965 developments, but contrary to what happened in the previous two years, it occurred in the context of a general slowdown of world trade expansion and in particular of slower economic growth in the EEC and in EFTA. (Page 4)

The value of trade in primary products in general, and in agricultural raw materials in particular, increased much less in 1965 than in 1964. As a result, in value terms the slackening was more marked in the growth of imports of industrial countries from non-industrial countries (4 per cent in 1965 against 9 per cent in 1964) than in trade among industrial countries (11 and 14 per cent). Among the non-industrial countries, the most affected were Australia, New Zealand and South Africa; imports of the industrial areas from these countries actually declined by 5 per cent in 1965 after a 10 per cent increase registered in 1964. Finally, imports from the less-developed countries increased by about 6 per cent in 1965 as against 9 per cent in 1964, but if adjustment is made for the change in crude oil import prices, the 1965 growth rate would be around 7 per cent. (Page 6)

Changes in the rates of growth of exports of industrial countries towards the rest of the world were largely determined by balance-of-payments developments in various third countries and measures taken by them to improve their reserve position ... A large number of non-industrial countries have highly inadequate reserves and heavy debt repayment commitments and so apply import restrictions fairly quickly after the first signs of adverse export developments (Page 7)

The export earnings of less-developed areas continued to be determined largely by the demand for primary commodities and base metals in the industrial areas. Nevertheless, since the early 'sixties, there has been a certain diversification of the exports of less-developed areas, both by commodities and by geographical destinations, in spite of the fairly rapid growth of their traditional exports. (Page 8)

The diversification of the commodity pattern of exports continued in 1965; in spite of the setbacks experienced on the markets of the United Kingdom and France. Exports of manufactures (other than base metals) from the less-developed areas to industrial countries increased by almost 14 per cent in 1965; this rate was the same as in 1964 and also the average for the 1960-1964 period. This trade is still confined to a relatively narrow range of products and to a small number of countries and, consequently, its share in the aggregate exports of the less-developed areas to industrial countries remains relatively small, of the order of 9 per cent in 1965 against 8 per cent in 1960. (Pages 8-9)

In examining the extent of geographical diversification, an attempt to eliminate the most important and obvious items of double-counting from the trade of developing countries yields some startling results. The adjusted trade among less-developed countries, which had increased by only 11 per cent between 1953 and 1959, went up by 37 per cent between 1959 and 1964, i.e. at a rate which was higher than the one registered for exports to developed countries. Moreover, whereas in the 1953-1959 period the whole increase resulted from higher intra-trade in petroleum and petroleum products (excluding of course the duplicating items), this group accounted for only one fifth of the increase between 1959 and 1964. (Page 10)

The figures for 1965 are still too uncertain to carry out the same exercise, but it is known that intra-Latin American trade increased by almost one fifth¹, and some expansion occurred also in other areas. Consequently, the increase of net intra-trade was probably again somewhat higher than the 4.5 per cent shown by the unadjusted figures. (Page 11)

Note on trade and output in the less-developed countries

This Note summarizes the development of exports, imports and output in the less-developed countries during the first five years of the development decade and indicates a few salient features which may explain the discrepancies between the projected and actual rates of growth obtained. (Pages 12-23)

¹Largely as a result of the rapidly growing trade in LAFTA and CACM.

Note on the export performance of less-developed countries

The purpose of this Note, covering the 1959-1965 period, is three-fold. In the first place, it attempts to ascertain to what extent various actual combinations of traditional exports would have resulted in sharply different rates of growth in export earnings of various countries ... The second purpose is to try to answer the question to what extent the differential rates of export growth in various less-developed countries can be explained by the pattern of their traditional exports. Finally, an attempt is made to identify the rôle of changes in market positions and of the diversification in the commodity pattern of exports in determining the actual performance of individual countries. (Pages 25-32)

The Note points to the difficulties of drawing any general conclusion from the statistical data assembled, as a large number of qualifications, many of which are related to the particular character of the relatively short period analyzed must be made. It appears from the available data that, in the period considered, the overall export performance of all less-developed areas taken together was still very largely determined by world demand for their traditional exports. More interesting, however, is the evidence that the contrasting relative performances of individual countries were only relatively little influenced by the pattern of their traditional exports, being much more affected by largely supply-determined shifts in market positions and by the development of new lines of production for export.

II. TRADE IN PRIMARY COMMODITIES AND IN MANUFACTURES¹

Main Features during 1965

After a particularly fast growth in 1964, world exports of both manufactures and primary products continued to expand in 1965, although at a somewhat less rapid rate. The value of world exports of manufactures (including non-ferrous metals) grew by 12 per cent in 1965, as compared with 14 per cent in 1964; the slowing down for primary products was much more pronounced - from 9 per cent in 1964 to 4 per cent in 1965. As a result, the share of manufactures in the value of world trade continued to rise, reaching 59 per cent in 1965, as compared with 45 per cent in 1955. (Page 33)

The report then examines movements in the price and volume of primary products and manufactures and the composition of world trade by main commodity categories and trade flows. (Pages 33-39)

Note on long-term trends on the oilseeds and vegetable oils market

This Note examines some of the principal trends and underlying factors in consumption, production and trade of oilseeds and vegetable oils between 1955 and 1965. (Pages 59-60)

Trade in individual products

The report examines trade in foodstuffs (page 60), fibres and rubber (page 82), ores and non-ferrous metals (page 89), fuels (page 94), textiles and clothing (page 97) and road motor vehicles (page 113).

¹ For recent changes and trends in primary commodity trade, see document COM.TD/36.

III. TRADE OF INDUSTRIAL AREAS

Main Features during 1965

In 1965, economic growth continued to accelerate in North America, but slackened considerably in Western Europe and almost came to a standstill in Japan. Aggregate gross national product of Western Europe is estimated to have risen by about 3.5 per cent in real terms, that of North America by nearly 6 per cent, a development distinctly different from that in the two preceding years when the economies of both areas had expanded at identical rates of 4 per cent in 1963 and 5 per cent in 1964. For Western Europe, this was one of the lowest rates of growth in post-war history; lower rates prevailed only in the depression years 1952 and 1958 when output rose by only 2.5 per cent. (Page 121)

As could be expected under these circumstances, aggregate imports of the industrial countries rose less fast than in 1964, i.e. by 9 per cent in value to \$127.5 billion, compared with an increase of 12 per cent the year before. It is surprising that this slowdown in import growth remained fairly in proportion with that in economic growth, when it is considered that in Western Europe, which accounts for over 70 per cent of the combined imports of all industrial areas, the rate of economic growth declined from 5 per cent in 1964 to 3.5 per cent in 1965, and that in Japan, which absorbs another 6 per cent of total imports, economic growth slowed down from 11 per cent in 1964 to a mere 3.5 per cent in 1965. (Page 122)

The report examines the economic development and foreign trade of North America (pages 128-142), the European Economic Community (pages 142-166), the European Free Trade Association (pages 166-185), other West European countries (pages 185-192) and Japan (pages 192-200).

IV. TRADE OF NON-INDUSTRIAL AREAS

The year 1965 witnessed a number of significant changes in the trade position of non-industrial areas. Their total exports increased by only about 5 per cent as against 10 per cent in 1964, whereas imports grew by 5 as against 10½ per cent respectively. However, while in 1964 the exports of the Australia/New Zealand/South Africa group grew at about the same rate as those of the less-developed areas, in 1965 the latter progressed by more than 6 per cent, whereas the former registered a small drop. Moreover, within the less-developed countries the gap between the export performance of the "oil producers" and the other countries, which was particularly pronounced in 1964, entirely disappeared in 1965 when both groups progressed at about the same rate. As a result, the rate of export growth of the less-developed countries other than the "oil producers" was about the same in 1965 as in 1964: around 6 per cent. (Page 201)

Latin America

The export earnings of Latin America increased by $4\frac{1}{2}$ per cent in 1965 as against 9 per cent in 1964. This marked slowdown reflects mainly the virtual levelling off of exports from Venezuela, Peru, Cuba and Colombia, which together account for about 42 per cent of the area's total exports. In contrast, the four other major exporters - Argentina, Brazil, Chile and Mexico - which account for almost half of the total, registered a 9 per cent increase in 1965 as against only 5 per cent in 1964. Among the smaller countries, there was a substantial drop in the exports of the Dominican Republic and no or little increase in those of Costa Rica, Ecuador and Haiti, but continued expansion in all others. (Page 202)

Before surveying the trade of individual countries (pages 208-216), the report examines one of the most striking developments in Latin America in the last few years: the rapid increase in intra-trade in general and trade within the Latin American Free Trade Association and within the Central American Common Market in particular. (Pages 204-208)

South-East Asia

South-East Asia was the only less-developed region which registered an acceleration of export growth in 1965 when, according to preliminary estimates, export earnings increased by $5\frac{3}{4}$ per cent as against 4 per cent in 1964. This change was, however, entirely the consequence of the reversal of Singapore's export performance (largely re-exports and entrepôt trade) which, after having fallen from \$1,135 million in 1963 to \$903 million in 1964, recovered to \$981 million in 1965. Excluding Singapore, the growth rate was $8\frac{1}{2}$ per cent in 1964 and $5\frac{1}{2}$ per cent in 1965.

Apart from Singapore, only Cambodia, Korea, Pakistan and Malaysia managed to increase their exports more rapidly in 1965 than in 1964, while Hong Kong continued to expand almost as quickly as in 1964. Exports from Burma, India and Viet-Nam declined and growth continued at a slower pace in Ceylon, Thailand and Taiwan. (Page 216)

The report examines the trade of individual countries in this area. (Pages 218-224)

Africa

Reliable trade totals are missing for a number of important trading countries (including Algeria, Liberia, the Democratic Republic of the Congo and others). Consequently, only broad orders of magnitude can be given for the development of foreign trade in Africa (excepting South Africa) in 1965. It appears, however, that after the exceptionally rapid growth of export earnings

registered in 1964 - about 18 per cent - the rate of expansion in 1965 was only around 8 per cent. Whereas in 1964 some twenty countries expanded their exports by more than 10 per cent, including such important exporters as Angola, Ivory Coast, Morocco, Tanzania and Uganda, in 1965 there were comparable performances by only six or seven countries, of which only Libya, Nigeria, Rhodesia and Zambia each accounted for more than 2 per cent of total African exports. The United Arab Republic was the only country where export growth accelerated notably in 1965. (Page 224)

The trade of individual countries is discussed on pages 226-238.

Middle East

According to highly preliminary estimates, the value of exports from the Middle East, consisting largely of petroleum, increased by about 7 per cent in 1965, to \$6.5 billion. The increase in imports was around 5 per cent, to \$4.4 billion. Within these totals, the exports of non-oil producing countries increased by 9 per cent, from about \$700 million to \$760 million and their imports by 4 per cent, from \$1,754 million to around \$1,800 million. (Page 238)

The trade of individual countries is examined on pages 240-242.