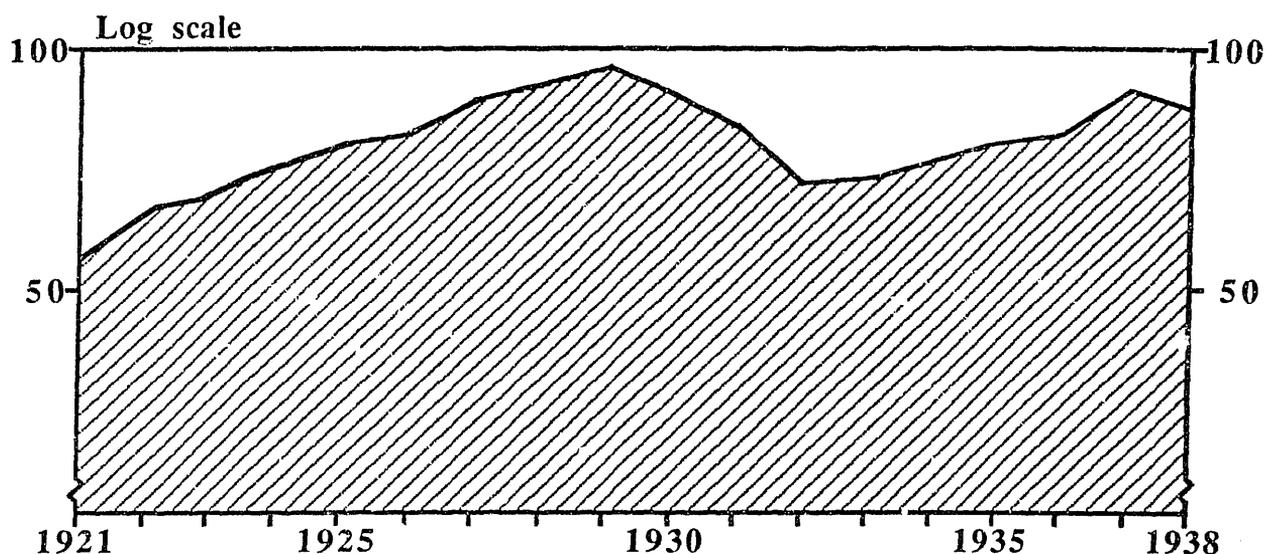


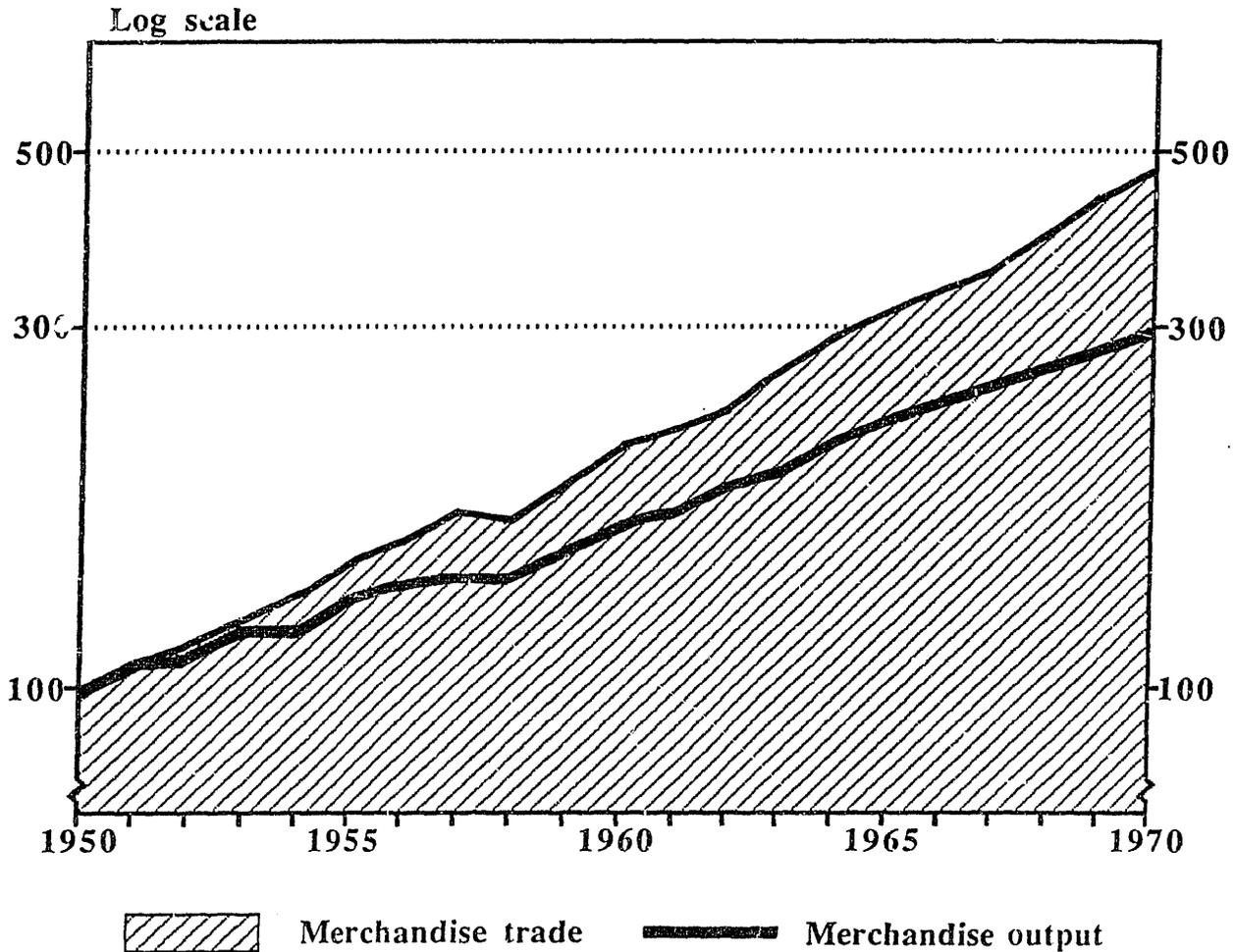
WORLD MERCHANDISE TRADE
1921-38
(Volume indices, 1950=100)



World Trade 1921 - 1938

While trade in the 1920s was affected by extensive trade restrictions, the major reversal came in 1929. The very high 'Smoot Hawley' tariffs imposed by the US Congress in 1930 and competitive devaluations of currencies triggered worldwide protectionist retaliation. Together, these factors helped to turn a moderately-serious recession into the Great Depression. The 25 per cent fall in the volume of world trade was four times greater than the largest one-year reversal since the Second World War - that in 1975. In terms of the value of world trade the fall in the 1929 to 1932 period was some 40 per cent.

**WORLD MERCHANDISE TRADE AND
COMMODITY OUTPUT
1950-70**
(Volume indices, 1950=100)



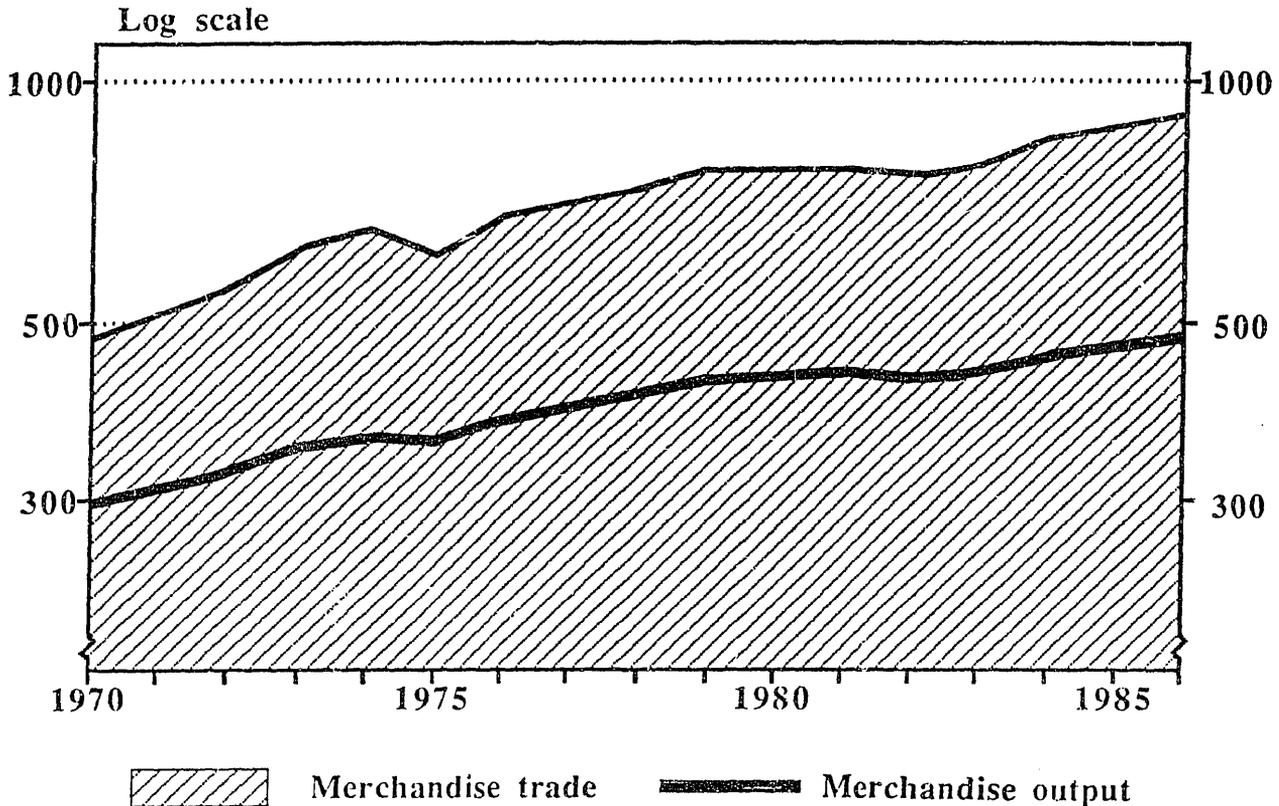
World Trade 1950 - 1970

The momentum of trade liberalization in the post-War period - which included big reductions in the levels of tariffs and the dismantling of many quota restrictions - was a key factor behind the 8.1 per cent a year average trade growth during this period. World trade was growing half as fast again as world merchandise production (5.5 per cent) in these years indicating both that a healthy increase in production creates extra trade and that trade growth feeds back to stimulate production. By a wide margin economic growth was higher in these years than in any other significant period this century - and probably any other. Countries at all income levels shared in this unprecedented growth.

WORLD MERCHANDISE TRADE AND COMMODITY OUTPUT

1970-86

(Volume indices, 1950=100)



World Trade 1970 - 1986

Trade policies in the 1970s and 1980s have been marked by the resort to bilateral quantitative restrictions, market sharing and escalating subsidies. Such policies have helped to halve the post-War rate of trade growth to 4.2 per cent per year, which has further intensified protectionist pressures. The lines for trade growth and output have become almost parallel indicating that the previous healthy relationship between the two has changed for the worse. Merchandise output growth has slowed to around 3.2 per cent a year. The end result has been high unemployment, reduced business investment and a diminished rate of improvement in living standards.