Trends in international trade

The emergence, in phase, of the major industrial countries from the recession of 1971–72 into the exceptionally strong investment and production boom of 1973, was reflected in an unprecedentedly large rise in the estimated volume of world output (excluding services), which went up by 8 per cent. This figure compares with one of 5 per cent in the preceding year and an annual average growth of 5.5 per cent from 1961 to 1971. Following a decline of about 1 per cent in 1972, world agricultural output advanced by 4 or 5 per cent. The growth of world mining output accelerated sharply from a 4 per cent increase in 1972 to one of 7 per cent in 1973, while world manufacturing output went up by 10 per cent, compared with 8 per cent the year before.

In 1973, international trade – and particularly trade in manufactures, increased even more rapidly than did world output. World exports by volume went up by 13 per cent, 1973 on 1972, compared with 9 per cent 1972/71. The former rate equalled the record expansion of 1968. Trade in agricultural products in 1973 remained practically unchanged in volume compared with 1972. Mining exports increased 11 per cent by volume, while for manufactured products the rise was 14 per cent: in both these sectors, and for the total, the growth of exports considerably exceeded that of production. This discrepancy, which has widened since the beginning of the 1970s, has been variously attributed to tariff disarmament, to the growth in size of industrial units, and to the marginal spill-over effects of international trade at high levels of economic activity.

A particularly noteworthy characteristic of recent years has been the accelerating inflation of the prices of internationally traded goods. The world export price index for manufactures rose by 8 per cent in 1972, and by 16.7 per cent in 1973, as shown below. In the same years, however, prices of primary products in general and excluding petroleum, rose even more steeply. The upshot for total trade, taking into account both volume and price increases, was that the value of world exports reached an estimated £207.8 million in 1973, an increase over 1972 of 38.6 per cent, following rises of 9.8 per cent and 16.7 per cent in 1971 and 1972 respectively. Measured in terms of the new (June 1974) SDRs, world trade advanced by 28 per cent, comparing 1973 with 1972.

Total exports of Commonwealth countries to all destinations shared in the rapid expansion of world trade, rising from £28.6 billion in 1972 to £38.4 billion in 1973. At the latter level they represented an 18.5 per cent share in world exports, standardized on an f.o.b. basis by the IMF. As measured on the side of imports, c.i.f., the Commonwealth share was estimated at 19.0 per cent. Both of these proportions represent a continuation of the relative decline in Commonwealth trade, ascribable in no small measure to the growth and re-adjustment problems of its largest trading member, Britain – though in 1973

UN world export price indices, 1971 = 100

(unit values, US dollar basis)

	All items	*Primary commodities*	*Manufactured goods*	*Non-ferrous base metals*
1971	100	100	100	100
1972	108	113	108	100
1973	129	163	126	144
1972 J–M	106	109	107	104
A–J	108	111	108	101
J–S	108	114	109	97
O–D	109	119	109	97
1973 J–M	116	136	115	113
A–J	124	152	123	134
J–S	134	173	133	157
O–D	141	192	134	173
1974 J–M	147	251	148	194
A–J	..	255	..	222
J–S	..	255	..	167

Canada, running a fairly close second to Britain in magnitude of trade, increased the value of its total exports (most of them to the United States) by proportionately less than Britain. India suffered from the poor performance of exports to Eastern Europe, while Jamaica, for which data were lacking, would not have done very well owing to the prices of its main agricultural exports being fixed by contract, and the value of its exports of bauxite/alumina to North America being hit by US stockpile sales. Further details of the commodity and geographical composition of the trade of Commonwealth countries will be found below.

The tendency for the United States' share of world exports to fall, evident over most of the past decade, was reversed at least temporarily in 1973, partly as a result of successive devaluations of the dollar (beginning with the December 1971 adjustment), partly because of the high world demand for capital goods, of which the United States is a major source, and partly because of the commodity price boom from which that country, as the world's largest exporter of primary products, was able to take advantage. Imports into the United States were sharply lower in 1973. In the case of Japan, whose currency had appreciated rapidly, the reverse was observed: the growth of that country's share of world exports, which had risen continuously and rapidly since the post-war reconstruction, was checked and temporarily reversed in 1972 and 1973. The result was a correction of two major trade imbalances – that of the United States, whose trade deficit was practically eliminated, and that of Japan, whose trade surplus was greatly reduced.

Table I World trade by major areas[a]

	1969	1970	1971	1972	1973
	£ thousand million (f.o.b.)				
World exports *a*	101.5	116.9	128.4	149.9	207.8
of which Commonwealth	21.0	23.6	25.6	28.6	38.4
	percentages of world exports				
Commonwealth *b*	20.7	20.2	19.9	19.1	18.5
European Economic Community *b*	40.2	40.2	40.9	41.4	41.5
United States	15.6	15.4	14.0	13.3	14.0
Japan	6.6	6.9	7.6	7.6	7.2
Latin America	5.1	4.9	4.6	4.5	4.1
Middle East	4.1	4.0	5.1	5.3	5.1
Rest of World *a*	14.9	15.3	15.0	15.3	15.3
	£ thousand million (c.i.f.)				
World imports *a*	106.5	122.7	134.7	153.9	212.9
of which Commonwealth	22.5	24.6	27.0	29.9	40.5
	percentages of world imports				
Commonwealth *b*	21.1	20.1	20.1	19.4	19.0
European Economic Community *b*	39.6	39.6	39.4	40.2	41.3
United States	15.0	14.4	14.6	15.3	14.0
Japan	5.9	6.4	6.0	6.1	7.3
Latin America	4.7	4.7	4.8	4.6	4.3
Middle East	2.9	2.9	3.0	2.9	2.9
Rest of World *a*	18.6	19.3	19.3	18.7	18.6

a Excluding the trade of Eastern European countries, China, North Korea, North Vietnam and Cuba.

b The share of Britain is included in both Commonwealth and EEC categories.

In Table I the British figures have been included in the totals of both the Commonwealth and the enlarged EEC. The latter's share of world trade continued its steady accretion in 1973, though this includes its intra-trade. The Latin American share continued its long decline, while incomplete data for the Middle East and the "rest of the world" point to little significant change. The large difference between the Middle East share of world exports and its share of world imports points to a potential market which had already excited the attention of the trading world years before higher oil prices were announced in October and December 1973.

The continuous decline in the share of developing countries in world exports in the 1950s and 1960s ceased in following years and appeared even to have been marginally reversed in 1973. This was largely due to the upsurge in commodity prices, which might prove to be only temporary, but also to a continuing diversification of developing countries' exports into non-agricultural products, particularly manufactures. According to preliminary estimates, manufactures accounted for more than half, and petroleum for about 40 per cent of the total volume increase in developing countries' exports in 1973.