Commonwealth Trading Partners

Intra-Commonwealth trade

As shown in Table II, the proportion of the total trade of Commonwealth countries which was conducted with other Commonwealth countries continued its secular decline, to 21 per cent in 1972, i.e. to a little over a fifth, compared with slightly over a quarter five years earlier. The major statistical element in the decline in 1972 was the absolute decline in the value of trade passing between Britain and the rest of the Commonwealth,* after a sharp upward jump in the preceding year. Though special factors may be adduced in explaining fluctuations between individual country markets, as shown in Appendix Tables 2 to 5, undoubtedly the chief causative element in the continuing relative decline of intra-Commonwealth trade is the concentration of British exports on buoyant Western European markets, the concentration of Canadian exports on the United

TABLE II

INTRA-COMMONWEALTH TRADE *a*

£ million

	1968	1969	1970	1971	1972*b*
Exports and re-exports from the Commonwealth:					
Britain to other Commonwealth countries	1,347	1,488	1,589	1,891	1,802
Other Commonwealth countries to Britain	1,607	1,634	1,850	1,780	1,911
Other Commonwealth countries to each other	1,395	1,573	1,776	1,951	2,083
(1) Total intra-Commonwealth	4,349	4,695	5,215	5,622	5,796
(2) Total to all countries	18,116	20,652	23,182	25,289	27,945
(1) *as a percentage of* (2)	*24*	*23*	*22*	*22*	*21*
Imports into the Commonwealth:					
Britain from other Commonwealth countries	1,749	1,832	2,056	2,065	2,114
Other Commonwealth countries from Britain	1,470	1,592	1,752	2,018	1,984
Other Commonwealth countries from each other	1,335	1,484	1,725	1,856	1,963
(1) Total intra-Commonwealth	4,554	4,908	5,533	5,939	6,061
(2) Total from all countries	19,986	21,680	23,744	26,240	29,061
(1) *as a percentage of* (2)	*23*	*23*	*23*	*23*	*21*

a Sum of individual country valuations.
b Provisional.

States market, and the polarisation of trade in other regions to the detriment of trade with Britain (Tables 6 to 11). It has been estimated that by 1980 Japan could be taking well over 40 per cent of Australian exports and provide 25 to 30 per cent of Australian imports – in comparison with the declining proportion, about a tenth, of exports shipped to Britain.

The share of Commonwealth countries in British imports has fallen from 32 per cent in 1960 to 21 per cent in 1971 and 19 per cent in 1972. While the

* In view of the degree of world-wide inflation in 1972, the decrease in terms of volume must have been even more striking. However, unless otherwise specified, in this report, changes refer to value measured in terms of sterling.

developed Commonwealth countries have experienced a fall in their share of the British market, the developing Commonwealth countries have experienced a greater fall; in 1960 they supplied Britain with about a fifth of her import requirements; by 1972 their share had fallen to a little over half this figure. This decline reflects the increasing importance of manufactures in British imports and the falling relative importance of raw material imports; in 1972, 12 per cent of British imports was composed of industrial raw materials, compared with nearly a quarter in 1960.

There were, however, exceptional factors making for a low level of Commonwealth exports to Britain in 1972: chief of these were the labour troubles in the Canadian nickel industry which, resulting in a drop of 70 per cent in the usually large British nickel imports from Canada, go far to explain the 5 per cent fall in British imports from that country. A large drop in wheat shipments from Australia accounts for the lack of any increase in the value of British imports from that source. Purchases from Australia, however, in line with the expansion of the British economy and the higher prices of primary commodities, showed strong signs of recovering in the second half of 1972 and early months of 1973. Imports by Britain from Sri Lanka registered a further large fall of 24 per cent in 1972 in addition to the decline of 22 per cent recorded in 1971.

British purchases from Jamaica and Hong Kong, after rising by over a quarter in each case in 1971, rose by considerably less in 1972, the increases for both being recorded at 12 per cent. Imports from Nigeria and New Zealand rose by around 12 per cent in both 1971 and 1972, reflecting the increased value of oil purchases in the first case and the high dairy and meat prices in these years in the latter case. The generally somewhat higher level of commodity prices in 1972, compared with their depressed levels in 1971, helped to promote a small recovery in the value of exports of a number of Commonwealth developing countries to Britain. However, with copper prices in 1972 still much below their 1970 level, and volume problems persisting after the mine disaster at Mufulira, imports from Zambia only rose slightly after their 44 per cent fall in 1971, to reach a level still only at three-fifths their 1970 value.

As a consequence of Britain's accession to the EEC, Commonwealth Preferences given by Britain to the rest of the Commonwealth are due to be phased out between 1973 and the end of 1977. Preferences accorded by Britain to the twenty Commonwealth countries in Africa, in the Pacific and Indian Oceans and in the Caribbean (referred to in Annex VI to the Treaty of Enlargement) will be maintained until 31 January 1975. After this date, such countries may continue generally to enjoy free entry in the British market (as to the rest of the EEC), depending on the terms of the new relationships with the enlarged EEC that might have been negotiated meanwhile. Cyprus and Malta have already negotiated association agreements with the EEC and will thereby retain some degree of preferential access to the British market. Mauritius has become a member of the Yaounde Convention of Association. The position of these Commonwealth countries vis-a-vis the enlarged EEC is further discussed in the section on EEC enlargement (see below). The Asian Commonwealth countries, and Australia, Canada and New Zealand, have not been offered any means of retaining preferential access to the British market (other than, for the Asian countries concerned, through the Community's GSP).

Intra-Commonwealth trade has also been supported in the past by the existence in the British market of special quota and/or price arrangements affecting certain commodities of export interest to Commonwealth countries, viz. sugar, rum, bananas, cigars, apples and pears, fresh grapefruit, canned grapefruit, grapefruit juice and orange juice. The quota system for apples and pears, which took the form of a restriction on supplies from non-Commonwealth countries, was abolished early in 1973 and replaced by a levy system in conformity with the common agricultural policy of the EEC. As regards the remaining products of special interest to Commonwealth countries in the Caribbean, the restrictive dollar quotas and the CSA quotas will be abolished by 1975. For some of the products, especially sugar and bananas, alternative preferential arrangements may be negotiated.

The preservation of favourable terms of access under historic Commonwealth ties, to the extent it occurs, must be calculated to favour the maintenance and growth of intra-Commonwealth trade. In this context it is of interest to note the agreements, in 1971 and 1972, designed to further the development of intra-Commonwealth regional trade regimes, as outlined below.

In the Caribbean the decision was taken to tighten CARIFTA and form a Caribbean Common Market. CARIFTA, the Caribbean Free Trade Area, which was formed in May 1968, has been successful in raising the level of trade between the Caribbean Commonwealth countries, and the figures indicate that between 1967 and 1970 intra-CARIFTA trade expanded more rapidly than total CARIFTA trade. In 1972 Jamaica was reported as having increased its exports to other CARIFTA member states by a third. The Caribbean Common Market, which came into existence in 1973, has the following main features: an external tariff common to all participants; the harmonization of tax concessions to industry and agriculture; the construction of a protective policy that encompasses the region as a whole; a multilateral system for the avoidance of double taxation within the area; and the rationalization of agricultural production within the Market. The provisions for the Common Market have been worked out in such a way as to give special help to the seven less-developed territories: Grenada, St. Lucia, St. Vincent, Dominica, Antigua, St. Kitts-Nevis and Montserrat. Provisions applicable to these countries will enable them to take eight years, instead of three, to align their own Eastern Caribbean Common Market tariff with that of the Caribbean Common Market; to bestow tax holidays for as long as fourteen years on industrial enterprises while the four more developed states will be permitted to grant them for nine years; to have preferential marketing outlets for certain agricultural commodities that can be quickly cultivated; and to receive certain local content and quota concessions.

The strengthening of commercial relations between Australia and New Zealand under NAFTA (New Zealand/Australia Free Trade Agreement) has in recent years encouraged the flow of trade between these countries to expand more rapidly than their trade with the rest of the world. Australian exports to New Zealand rose by 17 per cent in 1971–72* and 16 per cent in the first eight months of 1972–73.* Increases have been mainly in exports of petroleum and petroleum products, alumina and machinery, especially road motor vehicles. New Zealand has a substantial balance of payments deficit vis-a-vis Australia, with Australian exports to New Zealand two and a half times her imports from New Zealand in 1971–72. However, New Zealand's exports to Australia have risen more rapidly than her imports from Australia since the coming into operation of NAFTA; Australian imports from New Zealand rose by 10 per cent in 1970–71 and 18 per cent in 1971–72. The main growth items in Australian imports from New Zealand have been manufactured goods. In May 1972, new measures to liberalise further the trade between New Zealand and Australia were agreed. The revised arrangement was expected to allow for a substantial expansion of two-way trade, especially in motor vehicles.

In the South Pacific the groundwork has been laid for the future expansion of the already considerable commercial contacts between Commonwealth countries.

* Financial and trade years ended 30 June. Comparisons are with the corresponding periods of preceding years.

In 1971 the South Pacific Forum, at which ministers or heads of state from Australia, the Cook Islands, Nauru, New Zealand, Tonga and Western Samoa periodically meet for discussions on matters of mutual interest, came into existence. An offshoot of this grouping, the South Pacific Bureau for Economic Co-operation (SPEC), has been set up with a mandate for investigating ways of increasing commercial links between the members of the Forum with a view to furthering their development. There has been discussion inside the Forum about forming a free trade area in the South Pacific, and SPEC has been asked to examine, among other matters, a variety of commercial arrangements between the smaller islands and Australia and New Zealand.

United States

The tendency for the United States balance of trade to weaken, which in 1971 had resulted in a deficit in customs valuation terms for the first calendar year since 1888, continued in 1972 when a deficit of $6.3 billion was recorded in spite of some improvement towards the end of the year. It was not until the second quarter of 1973, after a further devaluation of the United States dollar had taken place in addition to the Smithsonian devaluation, that any substantial improvement in the United States trading position was evident. The dollar value of the United States imports rose by 14 per cent and 22 per cent in 1971 and 1972 respectively, while exports rose by only 2 per cent and 12 per cent in these years, with an actual fall in the volume of shipments recorded in 1971. Commonwealth trade with the United States reflected these general trends, and the Commonwealth's balance of trade with the United States improved substantially, as shown in Tables III and IV.

Recorded US commodity imports from the Commonwealth, in 1972, are shown in Appendix Table 12. As in the preceding year, the main rises in Canadian exports to the United States were in sales of automobiles and their parts, lumber, petroleum and natural gas. The increase in the volume and unit value of lumber sales was related to the buoyancy of the construction industry in

TABLE III

EXPORTS FROM THE COMMONWEALTH TO THE UNITED STATES

£ million

	1968	1969	1970	1971	1972*a*
Australia	202	235	247	254	343
Bangladesh	22	21	26	15	*b*
Britain	910	906	943	1,095	1,219
Canada	3,565	4,106	4,415	4,941	5,635
East African Community ..	29	33	38	36	36
Ghana	24	19	34	33	39
Hong Kong	249	319	374	413	463
India	122	139	114	137	139
Jamaica	36	40	75	64	66
Malaysia	87	103	91	86	95
New Zealand	79	80	88	93	*b*
Nigeria	20	47	59	133	173
Singapore	42	66	67	82	129
Sri Lanka	10	10	10	12	9
Trinidad & Tobago	91	101	102	98	104
Other Commonwealth	54	54	70	132	258*c*
Total	5,542	6,279	6,753	7,624	8,708

a Actuals, or annual rates based on latest data.

b Estimate included in "Other Commonwealth".

c Including estimates for Bangladesh and New Zealand.

TABLE IV

IMPORTS INTO THE COMMONWEALTH FROM THE UNITED STATES

£ million

.	1968	1969	1970	1971	1972*a*
Australia	414	404	461	411	386
Bangladesh	46	41	68	31	*b*
Britain	1,064	1,131	1,174	1,095	1,180
Canada	3,488	3,950	3,965	4,439	5,213
East African Community ..	16	17	27	31	23
Ghana	24	27	31	27	19
Hong Kong	119	138	159	174	185
India	357	251	258	237	129
Jamaica	62	75	94	91	92
Malaysia	31	31	50	40	58
New Zealand	42	48	65	53	*b*
Nigeria	26	34	64	88	65
Singapore	46	65	109	148	186
Sri Lanka	12	15	9	7	10
Trinidad & Tobago	26	29	36	47	56
Zambia	19	17	19	23	20
Other Commonwealth	123	155	170	167	267*c*
Total	5,915	6,428	6,759	7,109	7,889

a Actuals, or annual rates based on latest data.
b Estimate included in "Other Commonwealth".
c Including estimates for Bangladesh and New Zealand.

the United States, while the rise in exports of natural gas and petroleum was encouraged by the shortage of these commodities in the United States in 1972 and the consequent easing of restrictions on imports. Canadian non-ferrous metals also did well in the United States market in 1972, stimulated in part by the Chilean nationalisation of copper mining interests. Large proportionate gains were shown in recorded US imports of Malaysian tin, Australian meat, Indian jute manufactures, Nigerian crude oil, and apparel and textiles from a variety of sources including Hong Kong. US imports from Britain also showed a substantial expansion, including purchases of the RB 211 engine, while an important element in the rise of US purchases from Singapore related to transistors and semi-conductors for local assembly and export.

Most of the faster-than-world-average increase in Commonwealth imports from the United States was accounted for by a substantial growth of Canadian imports from the United States in 1971 and 1972. These large increases were in response to buoyant economic conditions in Canada and the continued expansion of trade in automobiles and their parts under the auto trade pact of 1965. Canadian imports of United States machinery, especially agricultural machinery, computer parts and peripheral equipment, telecommunications equipment and construction machinery, showed large gains, reflecting the strong increase in Canadian investment in 1971 and 1972. In 1971 the Canadian surplus under the auto trade pact further increased, but in 1972 the United States recorded its first surplus since 1969. Demand in Canada in 1972 for automotive products was particularly high and there was a slowdown in the market penetration of overseas suppliers. Trade under this agreement in that year was worth some $US 4.60 billion each way.

*European Economic Community**

The dominant element in Commonwealth–EEC trade has been that between Britain and the Six. British trade with the Six has been expanding considerably faster than her trade with the rest of the world and with the Commonwealth. In 1972 British exports to the Six rose by 16 per cent, and constituted the main expansionary element in total British exports to all destinations, which went up by only about 6 per cent. Increases in exports to each of the Six were recorded, with a particularly large expansion, of 30 per cent, in the value of exports to France. Almost a quarter of British exports were sent to the EEC in 1972, compared with 21 per cent the previous year and 18 per cent in 1961.

Other Commonwealth countries to increase exports to the Six in 1972 included Australia, the value of whose hides and skins and wool shipped to the Six expanded greatly. Exports from the East African Community to the Six, which had not risen significantly in 1971, the first year of the working of the association agreement with the EEC, went up by a large margin in 1972. The value of Indian shipments to the Community rose in 1972, partly in response to a large increase in sales of cotton piece-goods. Only in the case of Sri Lanka was an actual fall in exports to the Six recorded. Though complete data were unavailable for some countries, overall Commonwealth exports to the Six in 1972 were estimated to have gone up by 14 per cent.

TABLE V

EXPORTS FROM THE COMMONWEALTH TO THE EUROPEAN ECONOMIC COMMUNITY

£ million

	1968	1969	1970	1971	1972*a*
Australia	173	205	185	192	288
Bangladesh	35	28	24	16	*b*
Britain	1,292	1,526	1,753	1,926	2,230
Canada	294	330	482	446	454
Cyprus	12	13	14	11	8
East African Community ..	34	34	38	40	58
Ghana	36	37	45	37	44
Hong Kong	57	85	108	123	166
India	59	57	54	61	100
Malaysia	53	70	87	79	97
New Zealand	44	65	51	61	*b*
Nigeria	88	132	192	291	320
Singapore	34	44	48	43	65
Sri Lanka	14	12	12	12	9
Trinidad & Tobago	6	6	4	6	7
Zambia	102	148	133	87	95
Other Commonwealth	29	37	42	42	124*c*
Total	2,362	2,829	3,272	3,473	4,065

a Actuals, or annual rates based on latest data.

b Estimate included in "Other Commonwealth".

c Including estimates for Bangladesh and New Zealand.

* As indicated in the Notes on Statistics at the back of this volume, the grouping of countries for statistical and textual purposes in this report relates to group membership as at 31.12.72. All references to the EEC thus relate to the six founder members, unless otherwise indicated.

TABLE VI

IMPORTS INTO THE COMMONWEALTH FROM THE EUROPEAN ECONOMIC COMMUNITY

£ million

	1968	1969	1970	1971	1972*a*
Australia	190	202	245	246	252
Bangladesh	20	18	26	10	*b*
Britain	1,551	1,608	1,822	2,106	2,729
Canada	255	303	322	379	463
Cyprus	20	24	27	31	34
East African Community ..	62	58	72	91	88
Ghana	26	30	37	43	30
Hong Kong	71	90	111	123	130
India	133	103	95	134	150
Malaysia	41	43	53	59	58
New Zealand	25	31	39	45	*b*
Nigeria	62	73	118	155	181
Singapore	44	60	76	96	105
Sri Lanka	18	23	19	20	16
Zambia	24	18	26	35	34
Other Commonwealth	78	94	109	110	187*c*
Total	2,620	2,778	3,197	3,683	4,457

a Actuals, or annual rates based on latest data.
b Estimate included in "Other Commonwealth".
c Including estimates for Bangladesh and New Zealand.

The major expansion in imports from the Six by a Commonwealth country was that recorded by Britain, which increased its purchases by 30 per cent in 1972. British purchases of motor vehicles from the Six again rose very substantially, and for all items together their share of the British import market rose to 24.5 per cent, from 21.5 per cent in 1971 and 15 per cent in 1961. This secular tendency for the Six to take a larger share of the British import market is partially a reflection of the growing proportion of British imports that is composed of finished manufactures; in 1961 this category of goods accounted for only 12 per cent of British imports, but in 1972 the equivalent figure was 28 per cent.

Japan

The expansion of trade between Japan and Australia, promoted by the large measure of complementarity of their economies, has continued, unabated even by the Japanese recession. The proportion of Australian exports going to Japan in the Australian financial years* 1969–70 to 1971–72 rose from 25 to 28 per cent, and a further advance was recorded in the first half of 1972–73. Japan is, by far, Australia's largest market, taking major supplies of meat, cereals, sugar, wool, ferrous and non-ferrous ores and concentrates, and coal as well as a variety of other foodstuffs and raw materials. All these items have contributed to the increase in Australian shipments to Japan since 1969–70.

* Ending in June.

TABLE VII

EXPORTS FROM THE COMMONWEALTH TO JAPAN

£ million

	1968	1969	1970	1971	1972*a*
Australia	333	439	521	592	765
Britain	98	129	148	157	172
Canada	234	241	318	321	388
East African Community ..	18	16	18	16	18
Ghana	9	11	12	12	14
Hong Kong	40	59	74	78	94
India	84	93	118	101	107
Malaysia	105	126	128	124	118
New Zealand	36	45	50	48	*b*
Nigeria	4	4	4	10	32
Singapore	35	43	46	50	50
Sri Lanka	4	3	5	4	*b*
Zambia	67	105	97	58	62
Other Commonwealth	21	22	24	24	77*c*
Total	1,088	1,336	1,563	1,595	1,897

a Actuals, or annual rates based on latest data.
b Estimate included in "Other Commonwealth".
c Including estimates for New Zealand and Sri Lanka.

However, as a reflection both of the industrial recession in Japan and of the fact that the bulk mineral contracts with that country were written in terms of depreciated currency, the United States dollar, the value of exports of metal ores and concentrates fell back slightly in 1971–72 in terms of the Australian dollar. This followed large rises in the immediately preceding years as new mine operations built up their capacity. The devaluations of the United States dollar in December 1971 and February 1972 caused difficulties to many Australian mining enterprises. In early 1972 these problems were exacerbated by the breaking of contracts by Japanese firms which, because of the recession in industrial activity, were unable to absorb the large, and usually increasing, quantities of raw materials that they had committed themselves to buy. Renegotiation of the contracts, allowing for increases in United States dollar prices, and the recovery of economic activity in Japan, went far to alleviate these difficulties, though for most mining concerns a residual loss of income in terms of Australian dollars remained.

Between 1970–71 and 1971–72 there were rises in the Australian dollar value of meat exports to Japan by 89 per cent, of dairy exports by 80 per cent, fish exports by 111 per cent, cereal exports by 72 per cent, sugar exports by 31 per cent and coal exports by 19 per cent. The increase in the value of the shipments of all these agricultural commodities was partly accounted for by the more favourable prices received for them in 1972 than in 1971. The particularly low prices received for wool in 1969 and 1970 caused the value of Australian greasy wool exports to Japan to fall to under $A 200 million in 1970–71. In 1971–72, under the influence of a recovery in demand and prices for wool, the value of greasy wool exports to Japan rose to $A 218 million.

The boom in wool prices in the second half of calendar 1972, spurred to a great extent by Japanese demand, caused the value of Australian greasy wool exports to rise to $A 167 million in this period compared with $A 91 million in the corresponding part of the previous year. In this second half of 1972 the higher prices for meat and sugar were largely responsible for particularly large increases in the exports of these foodstuffs to Japan and the value of industrial raw material shipments also rose; poor cereal harvests made Australia unable to take advantage of the high cereal prices, and the value of sales to Japan showed a large fall.

Just as Japan is becoming increasingly dependent on Australia for a wide range of raw materials and is obtaining a rising share of her imports from Australia (10 per cent in 1972), Australia is taking progressively more of her imports from Japan. In 1969–70, 12 per cent of Australian imports emanated from Japan; by 1971–72 this figure was 16 per cent and in the first half of 1972–73 had risen further to 18 per cent. Increased importation of motor vehicles from Japan has been a prominent feature.

The growing complexity and importance of relations between these two countries was reflected in the establishment of the Australia/Japan Ministerial Committee in 1971. This consultative body is designed to discuss economic matters, primarily trade, and at its meeting in October 1972 Australia was reported to have gained a number of concessions: Japan undertook to increase its imports of Australian beef and wheat and to consider buying more Australian butter and cheese. Japan also made a commitment to provide financial and technical assistance to Papua New Guinea, which would be co-ordinated with Australian aid. Australia was reported to have expressed the hope that Japan would permit greater access to its markets for Australian primary products, particularly those which would be excluded from the British market by the enlargement of the EEC, while Japan hoped that problems relating to Australian tariffs would be reviewed.

TABLE VIII

IMPORTS INTO THE COMMONWEALTH FROM JAPAN

£ million

	1968	1969	1970	1971	1972*a*
Australia	173	206	235	295	307
Bangladesh	19	21	21	15	*b*
Britain	115	104	135	202	314
Canada	139	191	233	325	446
East African Community ..	22	26	32	42	34
Ghana	7	8	11	17	12
Hong Kong	187	240	288	339	360
India	66	37	40	83	81
Malaysia	66	78	102	118	132
New Zealand	28	33	46	55	*b*
Nigeria	8	11	28	53	57
Singapore	94	138	198	230	264
Sri Lanka	8	13	14	11	*b*
Zambia	11	13	13	16	22
Other Commonwealth	38	46	57	78	167*c*
Total	981	1,165	1,453	1,879	2,196

a Actuals, or annual rates based on latest data.

b Estimate included in "Other Commonwealth".

c Including estimates for Bangladesh, New Zealand and Sri Lanka.

The nature of the trade between Canada and Japan is, in important respects, similar to that between Australia and Japan, and developments in the Japanese trade of these two Commonwealth countries during 1971 and 1972 have a number of similarities. Canadian exports to Japan, of which some 90 per cent are accounted for by primary materials, especially minerals and metals, forest products and agricultural commodities, showed only modest growth in 1971, but a more marked expansion in the following year with a continuing rise in shipments of copper ores and coal. Canadian exporters, with the support of their Government, are attempting to diversify their sales to the Japanese market and, in particular, to ship more processed goods.

Like other developed countries whose markets are relatively 'open' to foreign suppliers, Canada has experienced very substantial rises in her imports from Japan in recent years. As was noted in the case of Australia, imports of motor cars from Japan have risen very rapidly, to some $C 150 million in 1971 and $C 250 million in 1972. The main difference, however, in the overall trade of Australia and Canada with Japan is that the first country earns a very substantial, and growing, surplus, while Canada, formerly in bilateral surplus, has been moving into deficit on its trade with Japan.

Between 1957 and 1967 the sterling value of British exports to Japan expanded at the rate of 12 per cent per annum, faster than to any other major market, though considerably slower than the rate of increase of Japanese imports from all sources. Between 1969 and 1972, despite a general acceleration in the growth of British exports, sales to Japan increased by an average of only 10 per cent each year.

Imports by Britain from Japan have shown a long-term tendency to rise much more rapidly than total British imports. Between 1957 and 1967 their sterling value increased at a rate of 14 per cent per annum. However, during the four years 1969 to 1972 the average yearly rate of this increase accelerated sharply: in 1971 the rate of increase reached 50 per cent and in 1972 it rose even higher to 56 per cent. Trade between Britain and Japan had been approximately in balance until 1969, but since then the British deficit has increased very rapidly. On the combined visible and invisible earnings account Britain still maintains a bilateral surplus with Japan, but the latter country is now making rapid forward strides in the development of service trade.

The massive increase in Japanese merchandise exports to Britain has been spread over a large range of finished manufactures, including motor cars, ships, television and radio receivers, tape recorders, ball bearings and iron and steel. Concern in Britain at the disruptive effects of the rapid increase in Japanese exports in certain sectors led to a series of inter-governmental meetings during the course of 1972. "Self-restraint" schemes to ensure "orderly marketing" were agreed upon by Japanese exporters in regard to some goods, and late in the year it was announced that statutory export curbs would be introduced.

Japanese trade with most Commonwealth African countries expanded less rapidly in 1972 than 1971. Trade with Nigeria, however, rose very rapidly; the sterling value of Nigerian exports to Japan rose over threefold and, despite a small fallback in the overall level of Nigerian imports, the sterling value of goods received from Japan continued to advance. The value of Japanese oil imports from Nigeria rose nearly fivefold, while the value of imports of other goods fell.

Eastern Europe

In recent years Britain, which once used to be the largest non-Communist trading partner of the Soviet Union, has seen its volume of trade surpassed by several other countries and has observed the development of closer commercial relations between the USSR and most large industrial countries. In response to these changes and in order to give British exporters the opportunity of offering competitive credit terms, it was announced in July 1972 that at least £200 million would be made available at 6 per cent interest during the course of the next two years as medium-term finance for trade with the Soviet Union. In April 1973, at the second session of the Joint Commission on Trade and Technology, Britain and the Soviet Union agreed to consult each other more closely on their development plans as a means of strengthening trade relations, and plans for the formulation of a ten-year agreement covering technological and industrial co-operation were announced.

TABLE IX

EXPORTS FROM THE COMMONWEALTH TO EASTERN EUROPE

£ million

	1968	1969	1970	1971	1972*a*
Australia	27	33	47	49	73
Bangladesh	10	9	9	6	*b*
Britain	229	229	259	253	276
Canada	53	12	57	69	141
Cyprus	4	4	5	5	9
East African Community ..	4	8	10	6	10
Ghana	8	4	18	4	5
India	133	146	171	177	218
Malaysia	37	46	38	28	22
New Zealand	7	8	11	15	*b*
Nigeria	11	12	14	23	19
Singapore	20	28	29	22	21
Sri Lanka	11	11	12	12	7
Other Commonwealth	3	5	6	4	32*c*
Total	557	555	686	673	833

a Actuals, or annual rates based on latest data.

b Estimate included in "Other Commonwealth".

c Including estimates for Bangladesh and New Zealand.

The Soviet Union's largest trading partner among developing countries is India. The foundation for the rapid trade expansion between these countries has been the bilateral payments agreement to eliminate convertible foreign exchange from the trade and to use the rupee as the accounting unit. In addition, economic and technological co-operation arrangements, joint projects and the extension of large quantities of Soviet credit have been important. The Soviet Union has provided an important market for those traditional Indian exports for which demand in the West has been stagnant; for example, between 1958 and 1971 the proportion by value of Indian tea exports being sent to the Soviet Union increased from 6 per cent to 22 per cent.

Most Canadian exports to Eastern Europe are consigned to the Soviet Union, and the major item involved is wheat – shipments of which in 1972 rose to 3.6 million tons, with large quantities due to be supplied in the first half of 1973. A severe winter followed by a dry hot summer with very poor weather at harvest time caused a great fall in Soviet grain production in 1972. In order to prevent a major setback to consumption and the development of the livestock industry, the Soviet Government contracted to buy large quantities of grain, mostly from the

United States but also from other countries including Australia and Canada. The total value of Canadian exports to the Soviet Union in 1972 came close to the record levels reached in 1964 and 1966 at the time of the disastrous Russian harvests of the mid-1960s.

TABLE X

IMPORTS INTO THE COMMONWEALTH FROM EASTERN EUROPE

£ million

	1968	1969	1970	1971	1972*a*
Australia	8	9	12	10	14
Bangladesh	9	18	15	7	*b*
Britain	303	331	354	344	396
Canada	30	29	27	32	40
Cyprus	4	6	6	7	8
East African Community ..	6	6	7	11	10
Ghana	8	9	10	7	5
Hong Kong	4	4	6	8	9
India	125	129	116	114	101
Nigeria	9	9	17	21	15
Singapore	8	9	9	8	6
Sri Lanka	12	14	11	9	5
Other Commonwealth	13	14	19	19	28*c*
Total	539	587	609	597	637

a Actuals, or annual rates based on latest data.
b Estimate included in "Other Commonwealth".
c Including estimate for Bangladesh.

China

Canadian wheat shipments to China rose by one million tons to the record level of nearly 3 million tons in 1971, and increased further in 1972 to 3.6 million tons. In both these years Canada provided practically all of China's wheat imports. The larger wheat imports in 1972 and the expectation of a much larger requirement in 1973 resulted from the poor 1972 harvest. Australia, which in the 1960s had been on a par with Canada as one of the two main suppliers of wheat to China, obtained a contract for the supply of one million tons in 1973, after a period of two years of reduced export availability during which practically no wheat shipments to China had taken place. Trading relations between China and Australia have shown signs of improving recently and the value of Australian exports to China in 1972 nearly doubled. The poor weather conditions prevalent in China in 1972 also hit the Chinese sugar crop and for the first time substantial imports from Australia were made.

Compared with 1969, when China made large purchases on the London Metal Exchange, British exports to China have since been at a lower level. In 1971 exports of non-ferrous metals and industrial diamonds showed large falls, with China taking most of its import of metal direct from the producing countries. British exports of machinery and transport equipment registered large increases in 1971 and 1972, but were still at a very low level, totalling only £11 million in 1972, even after delivery towards the end of the year of the first of the twenty Trident airliners that China had contracted to buy.

Hong Kong increased its imports from China by further large margins in 1971 and 1972. Some 40 per cent of China's foreign currency is earned through

TABLE XI

EXPORTS FROM THE COMMONWEALTH TO CHINA

£ million

	1968	1969	1970	1971	1972*a*
Australia	37	50	54	11	19
Bangladesh	7	6	6	7	*b*
Britain	29	55	45	28	32
Canada	63	47	57	83	104
Hong Kong	3	3	4	4	7
Malaysia	10	19	9	8	11
Singapore	11	24	9	6	8
Sri Lanka	14	17	18	13	10
Zambia	1	6	20	*b*	*b*
Other Commonwealth	9	7	7	21	36*c*
Total	184	234	229	181	227

a Actuals, or annual rates based on latest data.
b Estimate included in "Other Commonwealth".
c Including estimates for Bangladesh and Zambia.

TABLE XII

IMPORTS INTO THE COMMONWEALTH FROM CHINA

£ million

	1968	1969	1970	1971	1972*a*
Australia	12	14	14	16	22
Bangladesh	8	6	7	9	*b*
Britain	34	38	33	32	36
Canada	9	11	8	9	20
Hong Kong	167	186	195	229	274
Malaysia	33	33	31	27	28
Nigeria	4	6	8	12	10
Singapore	63	57	52	55	57
Sri Lanka	17	20	20	11	7
Tanzania	5	5	15	35	28
Other Commonwealth	13	14	17	18	32*c*
Total	365	390	400	453	514

a Actuals, or annual rates based on latest data.
b Estimate included in "Other Commonwealth".
c Including estimate for Bangladesh.

exports to Hong Kong. Most of these sales consist of food, livestock and consumer goods. The Sino-American rapprochement might well be expected to have certain benefits for Hong Kong's industry and increase China's exports to Hong Kong: the end of the requirement for comprehensive certificates of origin for Hong Kong's exports to the United States will enable Hong Kong to incorporate more Chinese inputs into its produce. Hong Kong's exports to China rose very substantially in 1972, but a large part of this increase was composed of re-exports and the amount of this trade is still insignificant by comparison with Hong Kong's imports from China.

Malaysian trade relations with China have developed considerably since the signing of a trade agreement in August 1971. China bought 40,000 tons of RSS I rubber in the remaining months of that year and agreed to purchase 5,000 tons of palm oil, 50,000 cubic metres of timber logs and several other items; these are the first direct Chinese purchases of Malaysian timber and palm oil. Malaysia also received a commitment that China would buy more rubber from her than from any other country; further purchases of rubber were made during the summer of 1972. Pernas, the official Malaysian National Trading Corporation, was made the sole Malaysian agency to handle the import/export trade with China and goods were to be carried exclusively in Chinese or Malaysian ships. Though Hong Kong's and Singapore's entrepot trade was expected to be adversely affected, it was reported that China had found it more convenient to continue to buy some

TABLE XIII

TRADE OF THE COMMONWEALTH WITH MAIN TRADING AREAS

	1968	1969	1970	1971	1972*a*
			£ million		
Exports to:					
Commonwealth	4,349	4,695	5,215	5,622	5,796
United States	5,542	6,279	6,753	7,624	8,708
E.E.C.	2,362	2,829	3,272	3,473	4,065
Japan	1,088	1,336	1,563	1,595	1,897
Eastern Europe	557	555	686	673	833
China	184	234	229	181	227
Other countries	4,034	4,724	5,464	6,121	6,419
Total	18,116	20,652	23,182	25,289	27,945
Imports from:					
Commonwealth	4,554	4,908	5,533	5,939	6,061
United States	5,915	6,428	6,759	7,109	7,889
E.E.C.	2,620	2,778	3,197	3,683	4,457
Japan	981	1,165	1,453	1,879	2,196
Eastern Europe	539	587	609	597	637
China	365	390	400	453	514
Other countries	5,012	5,424	5,793	6,580	7,307
Total	19,986	21,680	23,744	26,240	29,061
			Percentage of total trade		
Exports to:					
Commonwealth	24	23	22	22	21
United States	31	30	29	30	31
E.E.C.	13	14	14	14	15
Japan	6	6	7	6	7
Eastern Europe	3	3	3	3	3
China	1	1	1	1	1
Other countries	22	23	24	24	22
Total	100	100	100	100	100
Imports from:					
Commonwealth	23	23	23	23	21
United States	30	30	28	27	27
E.E.C.	13	13	13	14	15
Japan	5	5	6	7	8
Eastern Europe	3	3	3	2	2
China	2	2	2	2	2
Other countries	24	24	25	25	25
Total	100	100	100	100	100

a Actuals, or annual rates based on latest data.

Malaysian goods through these two countries. In 1972, figures for direct Malaysia - China trade indicated a small fall in Malaysian imports and a substantial rise in her exports.

Since 1952 Sri Lanka has had a trade agreement with China which has involved the bartering of rubber for 200,000 tons of rice from China. The prices placed on these goods for their exchange are said to have been somewhat more favourable to Sri Lanka than the world prices. A new five-year trade agreement, effective from 1 January 1973, was signed in December 1972. The new agreement has the same main features as the previous ones.

Guyana, whose previous trade with China had been negligible, signed a five-year trade deal in November 1971, allowing for substantial trading and other economic relations. Under this agreement, Guyana was to sell large quantities of alumina and sugar as well as some timber to China and, in return, import a wide range of consumer goods.

Trade relations between Commonwealth African countries and China have also developed. The exports of all the East African countries to China showed marked rises in 1972. Tanzanian imports from China trebled in 1970, doubled in 1971 and were maintained at a high level in 1972. Zambian imports from China more than trebled in 1972. The increase in both Tanzanian and Zambian imports from China was a result of commitments made by these countries in the agreement under which China is building the Tanzania-Zambia railway. It was reported that in November 1972 Nigeria had signed a trade agreement with China.