COMMONWEALTH TRADE 1968

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Introduction

Commonwealth trade has its roots in the historical relationships between Britain and other members of the Commonwealth when they provided the raw materials and Britain the manufactured goods. Commonwealth tariff preferences arose in the collapse of the world economy after 1929, as a defensive measure intended to shield Commonwealth countries from the rising tide of protectionism that world trade faced at the time.

The complementary patterns of production, investment and trade that grew up under this relationship between Britain and the members of the Commonwealth evolved in different ways as these countries developed and diversified their economies. International payments arrangements, generally with sterling as their common reserve currency and a pattern of trade considerably influenced by Commonwealth preferences, further extended and developed those relationships.

As the former colonies became independent nation states, responsible for their economic planning and development, more industrialization and economic modernization spread throughout the Commonwealth. While the volume of intra-Commonwealth trade has grown its percentage of total world trade has tended to decline as member countries established additional links with non-Commonwealth countries and sought new markets. Nonetheless, the existing financial and trade links within the Commonwealth are of an order and magnitude that warrant special attention. Intra-Commonwealth trade is a substantial part of world trade. Exports of Commonwealth countries to other Commonwealth countries totalled approximately four thousand four hundred and thirty million pounds sterling, i.e. more than 24 per cent of the total exports of Commonwealth countries in the year 1968, and intra-Commonwealth imports were also about one quarter of the total imports of Commonwealth countries.

Trade is influenced by individual and business associations, and while all members of the Commonwealth are outward looking with regard to trade, they do not minimize the importance of maintaining and building on the friendships and associations that exist within the Commonwealth to expand their trade and trading opportunities. Business associations and financial links in Commonwealth countries have led to a number of joint ventures in agriculture and industry and there are growing opportunities for joint investment and participation in projects of mutual benefit to member countries.

Commonwealth Trade Ministers have on more than one occasion stressed the fact that while they do not look inwardly towards the Commonwealth relationship for the development of markets, and see the Commonwealth in the context of the widest global relationships, there is considerable scope and opportunity for Commonwealth countries to consult and act in concert in the protection of their mutual interests.

Commonwealth countries include some of the largest producers of a number of primary commodities, and there is a considerable volume of trade within the Commonwealth and outside in these commodities. Commonwealth countries have therefore considerable influence in international forums on trade and have actively supported international arrangements for price stabilization for primary commodities. It was the Commonwealth that took the initiative as far back as December 1951 in establishing the Commonwealth Sugar Agreement between major importing and exporting countries in the Commonwealth. The benefits conferred by the Commonwealth Sugar Agreement are real and substantial for exporting countries but this is by no means a one sided agreement. At times of shortage and of high prices countries importing sugar have been assured of supply at the negotiated price. There are similar commodities of great interest both to Commonwealth and non-Commonwealth countries where consultation within the Commonwealth can lead the way for international arrangements to support price stabilization so necessary for the producing countries. Some examples are jute, cocoa, tea where major producer and consumer interests are represented within the Commonwealth, which also has special knowledge of the problems involved.

It might be said that the Commonwealth today is not an economic bloc with common trading purposes nor does it seek to formulate a position based on self-interest in order to influence the development of international trading relationships and policies. Nevertheless, membership within it of a very representative cross-section of both the rich and the poorer countries, that has demonstrated its capacity for providing a forum in which the diverse and frequently conflicting trading interests of countries can be discussed intimately without an atmosphere of confrontation, gives special value to the Commonwealth association in helping to meet new challenges in the field of international economic relationships and economic policy.

It is in this hope and spirit that Commonwealth Ministers meet prior to international meetings to consider broad questions of international economic policy and strategy. Thus heads of Commonwealth delegations to the first UNCTAD Meeting at Geneva in 1964 and to the Second UNCTAD Meeting in Delhi in 1968, held a number of Commonwealth meetings to discuss matters of mutual concern with a view to help understand and formulate international policy to the mutual advantage of member countries. At these meetings Ministers found valuable a number of background papers including a special paper on Commonwealth Preferences prepared by the Secretariat in consultation with member countries.

The Commonwealth Secretariat maintains liaison with international economic organisations such as UNCTAD, GATT, the World Bank, and the F.A.O. At their meeting in London this year, Commonwealth Prime Ministers stressed the need to give practical effect to the unanimous agreements reached in principle at UNCTAD II. They emphasised the importance of continuing consultation at the Trade and Development Board and other organs of UNCTAD and asked the Secretary-General to maintain close contacts with these and other International Agencies in order to keep developments under review.

Prime Ministers recognized that more orderly and satisfactory markets for primary products were crucial for Commonwealth countries and stressed the need for further efforts by Commonwealth countries in international forums to secure improved conditions for international commodity trade, including better access to markets in both developed and developing countries and equitable and stable prices for primary products. They stressed the dangers of excessive protectionism in a number of foreign industrialised countries for agricultural products of export interest to Commonwealth countries.

While they recognized that Commonwealth trade must be seen in the larger context of global trade of which it was a vital part, they agreed there was continuing scope for the expansion of Commonwealth trade and that for this purpose there was need to strengthen the well established links among Commonwealth members.

This publication, "Commonwealth Trade 1968", which is part of the series of trade and commodity publications issued by the Commonwealth Secretariat, reviews the main features of the external trade of individual Commonwealth countries and of the Commonwealth as a whole. Special sections incorporate the prominent features of the trade of Commonwealth countries and their important trading partners—both individual countries and groups—outside the Commonwealth. It attempts to present a statistical picture of Commonwealth trade in the context of world trade with the object of providing a source of ready reference for use by Commonwealth Governments and organizations. To the statistical picture has been added a short review of the general situation in regard to Commonwealth trade in commodities, manufactures and semi-manufactures. A brief account has also been included of measures of regional economic co-operation, with particular reference to regional trade among Commonwealth countries.

The Secretariat undertakes research and provides economic intelligence on commodities of special interest to Commonwealth countries. Its Commodity Division produces regular series on various products of interest to member countries such as dairy produce, meat, fruit, industrial fibres, grain crops, plantation crops, vegetable oil and oil seeds, and keeps members informed of various stages of development in the international study of commodity problems and the developments in arrangements for Commodity Agreements.

Measures for expansion of Commonwealth trade naturally go beyond these studies. Export promotion has been recognised as a vital part of the plans of member countries to expand their trade. Senior Trade Officials of Commonwealth Governments meeting at Nairobi in 1967 recommended that a feasibility study should be undertaken by the Commonwealth Secretariat in regard to a Commonwealth initiative in the trade promotion of Commonwealth countries. Accordingly, in consultation with Commonwealth Governments four experts, two from developed countries and two from developing countries, were attached to the Secretariat to assist it in this study. It is expected that the recommendations arising from this study will be ready by the end of 1969.

A few structural changes have been introduced in this year's "Commonwealth Trade" to widen the presentation of material, and so make it of greater interest to member countries. It is hoped that future publications will go further in this direction and become an increasingly useful instrument for analysing the main elements of Commonwealth trade so as to contribute, in however modest a measure, to the objective of expanding the trade of Commonwealth countries and thereby promoting their economic development.

PART I

General Review

THE COMMONWEALTH IN WORLD TRADE

Trends in international trade

After a sharp check in 1967, when the slowdown of the West German and American economies contributed towards reducing the rate of growth of world trade to about 5 per cent, the rate rose to over 11 per cent in 1968. Not since 1951, when the U.S. gross national product grew by an exceptional 15 per cent as a result of the Korean war, did imports into the United States advance so rapidly. In the United Kingdom, the demand for imported goods showed little sign of satiety in spite of devaluation, high interest rates and successive restrictive measures. A tight money policy in Japan helped to bring about a swing to exports in the balance of payments while total trade advanced more strongly. With an estimated growth of real national product amounting to fourteen per cent for the year, Japan now vies with West Germany for second place among the industrial market economies. Imports into the Federal German Republic, still well ahead of Japan in foreign trade, rose rapidly and with little interruption from early 1967 through 1968, after over a year's stagnation and decline. Thus with O.E.C.D. countries' exports and imports—accounting for about 85 per cent of the world total excluding the Sino-Soviet group—up by 12 per cent, and with hardly any net change in export price averages of primary products as a whole, the picture of world trade in 1968 may be characterised in broad terms as a return, sooner than expected, to the rate of growth in the preceding years.

Special factors which affected the trade of 1968, other than those already mentioned, included the spillover effects of the previous autumn's dock strike in the United Kingdom, and the scheduled Kennedy Round duty cuts by Canada, the United States and a number of other countries on 1 January. The nationwide French strikes in springtime resulted in special (and contentious) aid for exports, as well as in temporary restrictions on imports of automobiles, textiles, electrical household equipment and steel products, practically all of which had been cancelled by 1 February 1969 along with countervailing U.S. measures. The scheduled two-fifths cuts under the Kennedy Round took place on 1 July 1968 in Britain and much of Western Europe (at the same time as the final stage in the alignment of tariffs of E.E.C. countries with each other), but owing to political exigencies in the United States the Congress found itself unable to abolish the A.S.P. system of duty valuation of chemicals by the end of the year; and this led to the stalling, at least temporarily, of some contingent Kennedy Round cuts and a subsequent package deal on tariffs designed to assist the U.S. balance of payments. The expectation of a U.S. dock strike in the autumn, deferred by legal injunction, powerfully affected the timing of shipments and also price quotations on a number of world commodity markets. Finally, too late to have much effect on the trading results for 1968, although applicable immediately, came the November adjustment of border taxes announced by the Federal German Republic, and the measures announced by France and Britain, after a meeting in Bonn of Ministers and Governors of Central Banks of the countries participating in the General Arrangements to Borrow.

World trade by major areas, excluding the Sino-Soviet group for which satisfactory data are not available, is shown in Table 1. For countries reporting imports f.o.b. or exports at place of despatch, the data in this table are adjusted to include freight and insurance.

TABLE 1

WORLD TRADE BY MAJOR AREAS *a*

	1964	1965	1966	1967	1968
		£ thousand million (f.o.b.)			
World exports *b*	54·5	59·1	64·8	68·0	88·5
of which Commonwealth	12·3	12·9	14·1	14·4	18·5
		percentages of world exports			
Commonwealth	22·5	21·9	21·7	21·2	20·9
United States	17·5	16·6	16·8	16·6	16·2
Latin America	6·5	6·3	6·1	5·8	5·4
European Economic Community	27·9	29·0	29·0	29·5	30·2
EFTA (Continental)	7·7	7·8	7·6	7·8	7·7
Japan	4·4	5·1	5·4	5·5	6·1
Rest of world *b*	13·5	13·3	13·4	13·6	13·5
		£ thousand million (c.i.f.)			
World imports *b*	57·4	62·5	68·6	72·3	93·7
of which Commonwealth	14·2	15·1	15·9	16·7	20·9
		percentages of world imports			
Commonwealth	24·7	24·2	23·2	23·1	22·3
United States	12·6	13·2	14·4	14·4	16·0
Latin America	5·3	5·0	5·1	5·0	5·0
European Economic Community	27·9	28·1	27·9	27·2	27·5
EFTA (Continental)	9·1	9·2	9·0	8·9	8·5
Japan	4·9	4·7	5·0	5·8	5·8
Rest of world *b*	15·5	15·6	15·4	15·6	14·9

a The pound sterling was devalued by 14·3 per cent in November 1967. Allowance has been made for this in the textual commentary.

b Excluding the trade of Eastern European countries, China, North Korea, North Vietnam and Cuba which according to available data would have added some 14 per cent to the world total for 1964.

About two-thirds of world trade is now accounted for by the countries of four world trading groups—the European Economic Community, the European Free Trade Association (including Britain), the Council for Mutual Economic Aid, and the Latin American Free Trade Area. This is not to say of course, that the intra-trade of these groups amounts to two-thirds of world trade, but it is worth recording that the intra-trade of the largest, the E.E.C., rose continuously from 30 per cent of its total trade in 1958 to 44 per cent in 1967, and in the first 10 months of 1968 this tendency showed no sign of abatement. Within COMECON the proportion of intra-trade, at 60 per cent, is much higher, though falling in recent years as signs of incipient multilateralism have increased.

Latin American countries, comprising the members of the Latin American Free Trade Area and the Central American Common Market, and being highly dependent on exports of primary products to North America and Europe, have suffered a continuous fall in their share of world trade in recent years in spite of the development of their trade with each other. As shown in Table 1, their share of exports fell to 5·4 per cent in 1968. Fishmeal and fish oil exports from Peru and Chile made a substantial advance over the year, and grain shipments were resumed from Argentina after a temporary suspension, due to shortage of supplies, in 1967. Moreover, the performance of the majority of Brazilian export items, including coffee, cotton, maize, sugar—but not cocoa—improved with total exports showing a 14 per cent increase. But the Argentine meat industry, which had been coping with internal difficulties for years, and faced restrictions of one sort or another in the richer markets of north America and Europe, took a further knock in 1968 with most of its British market being taken over by Yugoslavia (until imports from the last-mentioned country were temporarily embargoed because of an outbreak there of foot and mouth disease). Output at the big Chilean copper mines fell during the year. Many of the major export commodities of Latin America—petroleum, metalliferous ores and concentrates, coffee, cocoa, sugar, bananas, spices, etc.—are also of interest to Commonwealth Caribbean countries whose share of world trade has likewise been slipping, and market trends for some of these commodities are discussed in following pages.

Referring again to Table 1, only brief comments are called for in this General Review on the shares in world trade of the other countries and groups, since all of them are more particularly described in later sections of this publication. First, in the case of the United States, the declining share of exports, the more rapidly rising share of world imports, and the precarious balance in favour of the export share may be noted. The growth of U.S. imports in 1968 accounted for over a third of the growth of world imports, taking the gross merchandise trade balance (imports valued c.i.f.) into deficit for the first time since the second World War. In the case of Japan, an economic policy mix involving both fiscal and monetary measures helped to correct the adverse balance of trade of the previous year while total trade forged ahead rapidly in 1968, making the rate of growth of the country's share of world trade by far the highest of any country or group of countries under consideration. As would be expected in view of the composition and size of its intra-trade, the share of world trade accounted for by the European Economic Community again expanded, this time on account of both exports and imports. More than in the case of the United States, the E.E.C.'s share of world exports considerably exceeds its share of world imports. With Continental EFTA it is the other way round, because of the merchandise imports of Norway and Switzerland financed by the proceeds of shipping, financial and tourist services. With regard to Commonwealth countries as a whole, their total share of world exports fell slightly, by 0·3 percentage points from 1967 to 1968, partly because of the (expected) adverse effect on the dollar value of exports from the United Kingdom in the first half-year following the devaluation of sterling.

Commonwealth exports, imports and trade balances

The value of exports from the Commonwealth rose by ten per cent in 1968, about four times the previous year's rate of increase but slightly below the world average. The value of imports into the Commonwealth increased by seven per cent in 1968, compared with a rise of over five per cent between 1966 and 1967, and compared with an eleven per cent rise of world imports between 1967 and 1968. Individual country totals are shown in Appendix Table I. The gross trade deficit of Commonwealth countries as a whole (exports f.o.b., imports c.i.f.) rose from £2·3 thousand million in 1967 to £2·4 thousand million in 1968. Among individual countries the trade balances of Britain, Hong Kong, Australia and Ceylon "deteriorated" while those of Canada, New Zealand, India, Pakistan and Ghana "improved" (bigger surplus or smaller deficit). The Nigerian surplus on trade was practically unchanged over the two years.

The following data, expressed in proportionate terms, abstract from the purely accounting effects of the currency revaluations of November 1967 and at the same time reveal some of the essential structural features of Commonwealth trade. Britain accounts for over a third of the trade of the Commonwealth and taken together with Canada, Australia and New Zealand, for nearly seventy-five per cent of it.

The trends of Table 2 are the generally falling shares of Britain and the developing Commonwealth countries contrasting with the rising shares of Canada, Australia and New Zealand. The long-term decline in the British share of world trade continued in 1968. Since devaluation of sterling in

TABLE 2

PERCENTAGES OF WORLD TRADE *a*

	1964	1965	1966	1967	1968
			Exports		
Commonwealth	22·5	21·9	21·7	21·2	20·9
of which:					
United Kingdom	8·4	8·3	8·1	7·5	7·2
Canada, Australia, New Zealand ..	8·0	7·5	7·8	8·1	8·3
Caribbean	0·55	0·52	0·51	0·50	0·47
Mediterranean	0·06	0·06	0·06	0·06	0·06
Asia	3·76	3·66	3·49	3·45	3·41
Africa	1·74	1·77	1·66	1·51	1·43
			Imports		
Commonwealth	24·7	24·2	23·2	23·1	22·3
of which:					
United Kingdom	9·9	9·2	8·7	8·8	8·4
Canada, Australia, New Zealand ..	7·4	7·7	7·8	7·8	7·9
Caribbean	0·69	0·68	0·66	0·64	0·58
Mediterranean	0·15	0·15	0·15	0·15	0·14
Asia	4·98	4·70	4·38	4·29	3·92
Africa	1·55	1·66	1·47	1·39	1·25

a Calculated after adjustment of data where necessary on the f.o.b. basis for exports and c.i.f. basis for imports.

November 1967 progress towards a satisfactory balance of payments has been slower than was hoped or expected. The Basle arrangements were implemented in the middle of 1968 and a deflationary package, along with an import deposits scheme, imposed after the November 1968 meeting of Ministers and Central Bank governors in Bonn. In spite of the atmosphere of financial crisis which persisted during the year steady progress was in fact made towards putting the balance of payments on a sound footing. In the first six months after devaluation Britain's net external position had been subjected to a considerable loss by the change in sterling's value. The volume of British exports went up less than could have been expected in view of the general expansion of world trade, while price increases did not succeed in deterring the rising volume of imports. But in the course of succeeding months there was some evidence that these adverse trends were beginning to be reversed. In the third quarter of 1968 the balance of payments showed a substantial turn for the better. The visible trade deficit (seasonally adjusted) which had averaged £88 million a month in the last quarter of 1967 and the first of 1968, fell to £75 million a month in the second quarter, £49 million in the third and down to £46 million a month in the December quarter of 1968. British overseas trade for 1968 is more particularly described in a later section of this report.

Canada, Australia and New Zealand, in spite of their differences, have much in common, and the buoyancy of their external trade would be even more apparent but for the fact that 1964, the base year of the tabular comparison, was a bumper year for grain exports by the first two countries to the Soviet Union. Both China and the U.S.S.R. have transacted business with Canada and Australia in preference to the U.S.A., which has supplied the major (aid financed) grain requirements of India.

The Canadian economy was exceptionally buoyant in 1968. Exports to the United States rose by about a quarter, but overseas exports were only slightly higher, partly due to the smaller total movement of wheat together with demand restraint in Britain and external payments difficulties in Japan, Canada's two largest overseas markets. Shipments to Italy, another important market, went down. About two-fifths of the overall gain related to exports of automotive products to the United States, while copper, iron and steel, lumber and wood-pulp, nickel and aluminium, petroleum and natural gas and aircraft contributed importantly to export growth. The accelerated export expansion of 1968 polarized increasingly on shipments to the United States.

Since 1966 Australia and New Zealand have been linked in a free trade area which built upon the earlier bilateral preferences between them, and each of them conduct trade with Canada under bilateral preferences. In the past few years Australia and New Zealand have traversed a rough patch, with recurrent drought in Australia and difficulties in the marketing of primary agricultural commodities including wool—especially the crossbred and carpeting types which mainly come from New Zealand. Australia, with much greater financial reserves, a broader-based economy and more varied exports (including coal, iron ore and non-ferrous metals which have featured in the growth of exports to Japan and the U.S.A.), was able to weather the storm without difficulty, or devaluation.

The New Zealand currency was devalued to bring it on a par again with the Australian currency in November 1967, and recovery in the balance of payments and general economic outlook have since been remarkable. In the year ended September, a current account deficit of $NZ136 million in 1967 was converted to a surplus in 1968 of $NZ63 million. Improvement in the value of earnings from meat, forest products and non-agricultural exports were more than could be attributed simply to devaluation. In the early months of the 1968–69 season (coinciding with intense speculative activity in the foreign exchange markets of the world) wool prices showed a marked increase which greatly facilitated stock-pile disposals. At the beginning of the 1968–69 season the New Zealand Wool Commission, and indirectly the nation, had some $NZ64 million potential export earnings locked up in the wool stockpile. By the middle of December over 100,000 bales had been disposed of at prices better than those of the previous season's buying-in price. This had netted the Commission around $NZ10 million, and enabled it to wipe out its overdraft with the Reserve Bank, but still left 588,000 bales unsold. Despite difficulties with the marketing of dairy produce, the year ended on a satisfactory note for New Zealand as exports of wool, in terms of volume, were some 40 per cent higher in the second half of 1968 compared with the corresponding period of the previous year, while prices were firm. There was a welcome swing to surplus in the balance of payments.

In Australia the balance of trade moved differently. Imports rose more than exports and a small trade surplus in 1966–67 was converted into a sizable deficit in the fiscal year ended June 1968. Heavier imports of defence equipment and producers' materials were mainly responsible for the increase in imports. Minerals made a substantial contribution to export earnings and despite a fall in rural exports, total exports edged upwards. Increased freight charges and investment income payable overseas lifted net invisibles, and the deficit on current account was the largest for sixteen years: but with a record capital inflow the balance of monetary movements left an overall surplus of $A78 million, following a deficit of $A120 million in 1966–67. In the first half of fiscal 1968–69 the excess of imports over exports (both valued f.o.b.) amounted to $A156 million, the import figures including the cost of a warship, $A37 million. Towards the end of the calendar year wheat shipments to Japan rose significantly as a result of the ban (lifted in January 1969) by the Japanese Food Agency on imports of wheat from the United States following alleged quality deterioration. Exports of cereal grains and cereal preparations for the half year were well down on year-ago levels, however, owing to otherwise dull market conditions and reduced availability which had affected the size of the contract with China.

As can be seen from Table 2, the share of world exports of the developing countries of the Commonwealth, taken collectively, declined year by year from 6·1 per cent in 1964 to 5·4 per cent in 1968. This is in line with the declining share of world trade accounted for by developing countries generally, which is one of the central factors engaging the attention of UNCTAD. While it would be difficult to try to reverse the major trends of world trade, the basic requirements of economic development lend urgency to the need to minimise the disadvantages of developing countries by enabling an adequate growth of their trade as well as their share of world trade by measures of the kind under consideration in UNCTAD.

According to the National Institute for Economic and Social Research (London), the net outcome of all the diverse factors which played upon markets in 1968 was a rise in prices for primary producers' commodity exports of rather more than one half of one per cent compared with 1967. "Much higher average prices for copper and cocoa brought about a rise of 2 per cent in the index for Latin America, but in the case of the overseas sterling area their effects were outweighed by falls in the dollar prices of wool, jute, rubber, and Commonwealth Agreement sugar." The same changes helped to produce rises of 6 per cent and 1 per cent respectively in non-ferrous metals and food prices, balanced to a large extent by a fall of $2\frac{1}{2}$ per cent in the prices of other industrial materials. The National Institute commented that the depressing effect on dollar prices of the devaluation of sterling and a number of other currencies no doubt contributed to the fall in prices of agricultural industrial materials. All in all, though the trade of the developing countries increased "quite rapidly" in 1968, this did not apply to those in the sterling area which, unlike the rest, had lost reserves in 1967.

Among individual developing countries of the Commonwealth, the value of exports in 1968 rose substantially for India, Pakistan, Malaysia, Singapore and Hong Kong i.e. for Commonwealth Asia as a whole except Ceylon, whose exports declined for the third year running. In the Caribbean, sales were higher for Trinidad and Guyana. In Commonwealth Africa the value of exports was markedly higher on balance, with a big increase for Zambia and a decline for Nigeria.

Commodity trade and arrangements

With the Commonwealth countries representing a complete cross-section of the international community, there has hardly been any primary commodity produced and traded in world markets which is not of interest to one or other of them. Nevertheless, there are a number of commodities which are of special interest and whose trading affects closely the economies of Commonwealth countries—especially the developing ones. Among such commodities sugar, tea, coffee, tobacco and cocoa are a few of the most important. Exports of cane sugar are vital for most Commonwealth countries in the Caribbean, for Mauritius, Swaziland, Fiji and, to a far less critical extent, India. Among tropical beverages, tea is associated, as an export commodity, with Ceylon and India mainly and, to a growing extent, East Africa and Malawi. Pakistan, once an important tea exporter, now consumes the whole of its own production, and there is a noticeable tendency in India also for home demand to take a larger share of production. Coffee is mainly associated with East Africa (within the Commonwealth) and cocoa with West Africa—although of course they are widely grown from the Caribbean to Papua-New Guinea. Tobacco is associated mainly with central African countries and India (among developing Commonwealth countries). Nigeria and Ghana are two of the more prominent countries having interest in cocoa.

Among other commodities, rice is an important export of Guyana, and it competes with jute for land use in Pakistan. Bananas and the U.K. market are of interest especially to Jamaica and the Associated States of the West Indies, while the New Zealand market is of interest to Fiji. Spices and essential oils are of greater or less importance for many countries or territories stretching in a broad tropical belt from the Associated States of the West Indies, East Africa and its offshore islands, through Ceylon and India to Malaysia.

Among textile fibres and textiles, cotton is an important export of East Africa and Pakistan, jute of Pakistan, and sisal of Tanzania. Indian mills take most of the indigenous production of jute and cotton. Textile manufactures, footwear and clothing constitute an important segment of exports for India, Pakistan, Malaysia, Singapore and Hong Kong—as well as, latterly, of Malta. Exports of raw wool and woollen carpets from India and Pakistan are small but important. Rubber, which sometimes goes into local manufacture of footwear as well as being exported crude, is an important export item for Ceylon, Malaysia Singapore, Nigeria, and Papua-New Guinea.

The remaining industrial raw materials of agricultural origin include tropical timber (West Africa and Malaysia particularly), hides, skins and leather (India, Pakistan and East Africa), and a variety of tropical oils and oilseeds, chief of which are the products of the oil palm, coconut palm and groundnut (Ceylon, Malaysia, Fiji, Malawi and West Africa).

Finally, minerals are a major source of foreign exchange for many developing countries of the Commonwealth: petroleum oil and products for Trinidad & Tobago, Nigeria and Brunei; copper/lead/zinc for Cyprus, Uganda and Zambia; manganese ore for Ghana, Guyana and India; mica for India; diamonds for Sierra Leone, Ghana and Tanzania; iron ore for India, Malaysia and Sierra Leone; bauxite and alumina for Jamaica, Guyana and Ghana; and tin for Malaysia and Nigeria.

Questions relating to primary commodities were considered by the New Delhi session of the United Nations Conference on Trade and Development. The Conference adopted five resolutions on policy matters relating to commodities. Agreement having been reached that the best way to proceed was on a commodity-by-commodity basis, an action programme for specific commodities was drawn up. This programme set up the time table and procedures for commodity negotiations and/or intergovernmental consultations concerning 19 products, including cocoa, sugar, oils and fats, natural rubber, hard fibre and jute. Other recommendations referred to the stablization of commodity prices and access to the markets of developed countries for the commodity exports of developing countries. The final report of the Conference acknowledged that, on certain basic issues it had been unable, on account of remaining differences of opinion, to reach generally acceptable solutions, but added that the Conference had resolved to continue its efforts to reach agreement by making full use of its continuing machinery and, in particular, of the opportunities for further consultation and study provided by the Trade and Development Board.

With regard to the question of commodity price stabilization, the contents of a Fund and Bank study (agreed to in September 1967 at the annual meeting of these organizations) had weighed heavily on the deliberations of UNCTAD II. The 55 nation UNCTAD Committee on Commodities, which met for a fortnight in November 1968, had before it the first part of this study but it is only in the second part, promised for June 1969 at the latest, that the staffs of the I.M.F. and I.B.R.D. examine ways in which the two institutions might assist in finding solutions. The November 1968 meeting of the UNCTAD Committee on Commodities nevertheless succeeded in completing two proposals which the

New Delhi session had left unfinished, relating to buffer stocks and diversification. The success of the Sugar Conference, referred to below, no doubt served as a stimulus to the Committee.

At UNCTAD II, both developed and developing countries unanimously adopted a resolution inviting the Secretary-General and "Governments concerned" to "take all necessary steps" to ensure the success of the forthcoming U.N. Sugar Conference "with the objective of bringing into operation an international agreement by 1 January 1969". After failing to reach accord in April 1968, the 72 nation UNCTAD Negotiating Conference concluded a month-long session in October 1968 and set a target date of 1 January 1969 for a new agreement to become effective, dependent on ratification by 50 per cent of the exporting countries and 60 per cent of the importing countries.* The framework of the 1958 International Sugar Agreement, whose quota and price provisions lapsed in 1961, is maintained in the new Agreement, but neither the United States nor the European Economic Community is participating initially.

The new Sugar Agreement for regulating trade in the non-preferential world sugar market establishes an overall basic export quota of 8·6 million metric tons. The floor price of 3·25 c./lb compares with a New York spot price of 2 c./lb quoted before agreement was reached in Geneva. Under the Agreement, all quotas would be reduced by 10 per cent if the price fell to 3·50 c./lb and by another 5 per cent if the price fell to 3·25 c./lb. Within the price range proposed by the Secretary-General of UNCTAD, the ceiling price was fixed at 5·25 c./lb—at which point quotas would become inoperative. Although some 60 per cent of world sugar trade is conducted within the framework of preferential arrangements like the Commonwealth Sugar Agreement, the U.S. Sugar Act and the agreement between the U.S.S.R. and Cuba, the new international Sugar Agreement is important for Commonwealth countries. For example, it could mean an extra £14·6 million of export proceeds for Australia with its quota of 1·1 million tons; and Commonwealth Caribbean countries exporting to Canada at world price plus Commonwealth preference will get substantially higher returns in this market. On a wider plane a narrowing of differentials between "free" world prices and Commonwealth Sugar Agreement prices, in which devaluation of sterling also played a part, has been achieved.

The outome of the C.S.A. talks held in London in November–December 1968 was that the agreement will in future be of indefinite duration but subject to review every three years. Prices were fixed at the same level as for the three preceding years. In the event of successful completion of negotiations for entry into the E.E.C., Britain could not be committed to continuing contractual obligations under the Agreement after 1974, but the Agreement contains assurance of the efforts Britain would nevertheless make.

The U.N. Cocoa Conference sat during November–December 1967 and agreement was reached on a few issues, such as conversion factors and definition of the quota year. In a resolution of UNCTAD II, it was recommended that a world conference on cocoa should be convened before the end of June 1968. In that month, however, only informal consultations were held in Geneva between the main cocoa producers and consumers, without agreement on the all-important question of the price range. Subsequently, F.A.O. estimated that 1968–69 would be the fourth consecutive year in which consumption was expected to exceed production, and with the currency fever of November 1968 adding a new speculative element to the market's estimation of the depleted, rain-damaged West African crop, prices topped 450s/cwt in London. The Gill and Duffus Cocoa Price Index based on the spot price of main crop Ghana

* The Agreement entered provisionally into force on 1 January 1969, as scheduled.

cocoa in New York moved from an average of 45·48 in 1965, to 64·29 and 76·49 in 1966 and 1967 respectively, reaching 90·52 in the past year. With world stocks at a low level following three seasons of deficient production, the value of cocoa exports from Ghana and Nigeria for the whole of calendar 1968, on a firm or rising market, was highly satisfactory.

Among the beverages, coffee and tea (in sharp contrast to cocoa in recent years) have suffered from a condition of general oversupply—actual or potential. Actual surpluses of coffee have been very large indeed, but the greater part of them has been held by Brazil, the major producer, which has taken unilateral and energetic steps to reduce coffee acreages. The working of the International Coffee Agreement kept prices remarkably stable during 1967 and 1968, at which level green coffee from Brazil was as remunerative as at the beginning of the 1960's. East African coffee became substantially more profitable in the 1960's and acreages, production and exports rose substantially. The International Coffee Agreement concluded at the U.N. Coffee Conference in 1962 was renewed in February 1968 for another five years. The Agreement contains new features, notably production goals and control, a diversification fund and a flexible system for quota adjustment. The Council of the International Coffee Organisation established an initial overall annual export quota for its members of 47·8 million bags (of 60 kilograms) for the coffee year 1968–69, beginning on 1 October 1968*. In setting this the Council had adopted an estimate for total world imports and exports of coffee in 1968–69 of between 51·7 million and 53·2 million bags, of which probable exports from non-member countries were not thought likely to exceed half of one per cent.

Tea is in a much less happy situation. The world's tea exporting countries, principally Ceylon and India, have been living with a general downward drift in prices for eleven years. The last time retail prices in the United Kingdom—which absorbs nearly half the world's exportable production—was raised because of higher raw material prices was in 1957. Over 1968 as a whole the London auction price averaged 2d/lb. lower than in the preceding year. Tea stocks are very small compared with coffee stocks, but there is no international agreement to regulate supplies reaching the markets. All the tea produced is consumed, but the growth of consumption is sluggish in comparison with that of production. With world supplies continuously on the edge of surplus and a steady erosion of prices, total foreign exchange earnings have stagnated. Tea has turned out to be a particularly good diversification crop in East Africa and has fitted well into the pattern of small-holdings built up after independence. There was close agreement, among producing and consuming countries at the F.A.O. conference held at Kampala in January 1969, on the need for action to secure stable prices remunerative to producers and equitable to consumers. The conference set up a 16 nation working party to recommend ways of remedying the situation. The first meeting of the ad hoc Working Party was due to take place in May 1969.

The development of world markets for fats and oils, with the exception of lauric oils, was the opposite of that for cocoa in 1968. Although some prices (for forward delivery) recovered significantly in the closing months, for most of the year the world fats and oils situation was depressed. There was a surplus of vegetable oils and oil seeds, and the prices of many oils were at their lowest for 30 years: but the problem was not confined to vegetable oils and fats since lard had also been selling at the lowest price for 30 years, and Europe's butter surplus hung over the market. Prices for groundnut oil did not drop to the same extent as those of most other oils, in spite of Senegal's production increase and the bumper Indian crop which reduced that country's P.L. 480 requirements, but

* The Agreement itself entered into force on 30.12.68, after ratification by 41 exporting and 20 importing member states.

palm oil prices were sharply reduced. Price trends in world fats and oils markets were not uniformly unfavourable to producers, however. In terms of U.S. dollars, auction values in Colombo and Manila for coconut products were substantially higher in the first half of 1968 than in 1967, mainly due to typhoon damage having cut production and export volume from the Philippines.

Along with vegetable oils, rubber is a product of export interest to both Ceylon and Malaysia. It makes up a third of the latter's exports while for the former country it is a vital element in a bilateral trade agreement with China. In 1967, a three-month pneumatic tyre strike in the United States, and generally poor economic conditions in Western Europe, hit rubber values hard. Support buying by the Malaysian Government failed to check a continuous drift which took prices to a 19-year low. After a relatively severe "wintering" season in Malaysia early in 1968, followed by booming consumption in the Western world, the Malaysian Government was able to dispose of its stockpile, and overall stocks returned to a more manageable level. Prices on a rising market in 1968 averaged little different from those on the falling market in the previous year, but gross export volume from Malaysia in 1968 reached a new peak of 1,104,777 long tons, an increase over 1967 of 130,145 tons. By the end of January 1969 prices on the London terminal market had reached a 3½ year high, and a further sharp rise followed the announcement in February of discontinuation of U.S. stockpile sales. In September 1968 the Malaysian Government ratified the constitution of the Association of Natural Rubber Producing countries and also approved the proposal for Ceylon to become a member. The constitution, finalised in London in May 1968, was to come into force when at least four member governments had deposited instruments of approval.

Tin metal, another commodity of prime importance to Malaysia, and to a less extent Nigeria, was in potential oversupply throughout 1968 and average prices (in terms of U.S. dollars) were about ten per cent lower in the first nine months. Releases from the U.S. stockpile were discontinued by the General Services Administration in July, and in September the International Tin Council announced restrictions on the volume of exports from the major producing countries until the end of the year. The Council's buffer stock at the time amounted to 11,290 tons, and the U.S. stockpile amounted to 60,000 tons. The announcement of export controls seemed to have little immediate effect on market sentiment as it was not clear that the size of the quotas would make much difference, but prices shot up from the end of October to year's end on account of the U.S. east coast strike situation, hedge buying at the height of currency uncertainties and a calculation that 1969 might be a deficit year for the metal. In the first eleven months of 1968 tin exports from Malaysia were reported at 80,406 tons compared with 66,690 tons in the comparable period of the previous year. In December the Tin Council announced continuation of export quotas at the same quarterly rate of 38,000 tons overall.

Copper was subject to many of the same influences during the year. Generally speaking, however, prices of this metal have held much better than those of tin ever since the sharp upswing of prices starting in 1964. With no surplus overhanging the market, with world production concentrated in the hands of a few major companies, and with recurrent interruption of supplies, especially from Chile, copper producers over the past five years have enjoyed almost unrivalled prosperity among primary producers. On average, prices in 1968 were no less than in 1967. In the later months of 1967 and early in the following year there was a sharp rise in prices due to a prolonged strike of U.S. copper workers. This caused an acute shortage of immediate supplies and a wide backwardation —the premium of the L.M.E. cash price over the three months forward price— and led to some official discussion between Chile and Zambia regarding the appropriate price basis for their export contracts.

Among the fibres of chief interest to developing countries of the Commonwealth are jute, cotton and sisal. All, like rubber, face a serious challenge from synthetics and the development of more advanced industrial processes, but only in the case of sisal have prices been uniformly unfavourable in recent years.

The F.A.O. Study Group on Jute, Kenaf and Allied Fibres, at its fourth session in September 1968, projected world import requirements for jute and allied fibres during the 1968–69 season at 908,000–951,000 tons. On the other hand, the total amount of jute available for export was forecast at only some 864,000 tons. Price levels during 1967–68 resulted in extensive shifts from jute to paddy in India and Pakistan, and drought at sowing time was followed by floods in East Pakistan and West Bengal. It was expected that mill consumption in Pakistan would expand further in 1968–69, and that India, which in the previous season had met its mill requirements almost solely from domestic production, might once again have to import raw fibre. But importing countries emphasized that the Consultative Committee's recommended price was already at a level at which competition from synthetics and substitutes was making considerable progress, and it was agreed to maintain the "indicative price range" at £109 per long ton plus or minus £6 a long ton f.o.b. Chittagong/Chalna for lower grade Pakistan jute. Only a month after the Study Group's meeting in Rome, heavy speculative buying drove prices up to well over the "indicative price." The Government of India promptly put price control on sackings and imposed rationing of raw material to ensure that production was guided according to its priorities, but partial closure of mills was unavoidable. The Raw Jute and Jute Goods Buffer Stock Association was licensed to import 500,000 bales and annual production of jute goods was cut back by 20 per cent of the installed capacity of 1·3 million metric tons. Official efforts are being directed towards establishing a buffer margin of 1 million bales of fibre; already in the past decade periodic shortages, and competition from Pakistan, have brought down India's share of world exports of jute manufactures from over 80 per cent to 60 per cent.

World import requirements of sisal were expected to drop by just over 1 per cent to 634,000 metric tons in 1969, against 642,000 tons in 1968, according to estimates from the F.A.O. Consultative Sub-Committee on hard fibres which met in November 1968. But despite the drop, producers and consumers represented on the committee agreed that the global export quota should be maintained at 640,000 tons, the same as for 1968. These informal stabilisation arrangements, first agreed by the F.A.O. Study Group on Hard Fibres in September 1967, are generally thought to have had some real impact on prices though they still range below the target of £85 15s a long ton, plus or minus £5 for East African Rejects (under grade). As a further move towards the target price, producers and buyers at the meeting agreed on a new interim minimum level of £72 a ton c.i.f. Europe for the same grade until the next session of the Consultative Sub-Committee in April 1969.* This was £5 above the minimum set earlier in 1968.

International trade in cotton took on a healthier look in 1967–68. For years world price levels and trade had been depressed by U.S. cotton acreages and exports subsidised by the Commodity Credit Corporation. But in the past two seasons there was a return to relatively prosperous free-market conditions as massive world stocks, built up since 1962, were cut to less than five months

* At the April meeting a cut of 9·2 per cent in world export quotas to 581,000 metric tons for 1969 was agreed. It was decided that a minimum price of £74 a metric ton, c.i.f. Europe, should be introduced for East African sisal No. 3 long (the first time a price target had been set for this grade), while the East African Rejects price would remain the same but producers would absorb the existing Suez Canal surcharge. The price of Brazil No. 3 sisal was to be raised in steps to £66/ton c.i.f. Antwerp.

supply. For the 1968–69 season which began on 1 August 1968, the U.S. crop was estimated at over 11 million bales, or some 50 per cent higher than in the previous season, and the prospect also of an unusually large crop of South Brazilian cotton weakened prices for most raw cottons. The Liverpool c.i.f. index, based on prices of 12 American type cottons of medium staple length, stood at 28·25 cents/lb in mid-January 1969, compared with 29·25 cents two months previously and 33·10 cents in January 1968. On the other hand the extra-long staple cottons, mainly from Egypt and the Sudan, were some 10–12 per cent dearer at the beginning of 1969 compared with year-ago prices (plus $\frac{3}{4}$ of one per cent dearer in most importing countries because of the general imposition of a war risk surcharge on goods carried under Middle Eastern flags). In November 1968 it was announced by the Indian Commerce Minister that India would have to continue cotton imports at the end of its fourth five-year plan because of rising mill consumption and larger textile exports. In the following month it was announced in Kampala that the Government of Uganda had agreed to buy out the Cotton Research Station at Namulonge which had been founded in 1950 by the Empire Cotton Growing Corporation.

Both Australia and New Zealand have in recent years introduced innovations in the marketing of wool. The New Zealand Wool Commission, soon after its establishment in 1966, was faced with a "catastrophic" fall in prices and, successively reducing its floor price in an effort to keep solvent, it introduced a deficiency payments scheme. A Wool Marketing Study Group later recommended establishment of a wool purchasing authority, and while Australasian pastoralists have always evinced a lack of enthusiasm for government interference, the suggestion was put forward in New Zealand that market intervention by the Wool Commission from a permanent stockpile would give many of the advantages of a purchasing authority without depriving the farmer of his freedom in marketing. In Australia, the Wool Industry Conference in November 1968 approved a proposal to form a non-statutory Wool Marketing Corporation to operate from July 1969 and having as one of its functions the amelioration of short-term price fluctuations through the regulation of wool on to the market in times of abnormally high or low prices.

Among the other major export commodities common to Australia and New Zealand are meat and dairy produce. Meat did well in 1968 but butter, cheese and skimmed milk not so well. There was some concern during September and October that increased shipments of beef from Australia and New Zealand to the United States would bring total imported supplies on that market to the figure (1,045 million lb. for 1968) at which quantitative restrictions would be invoked. The New Zealand Meat Board co-operated with the Australian Board to limit shipments on a "voluntary" basis to obviate this, but the restrictions came as a setback to New Zealand meat producers at a time when noteworthy increases in beef production were being achieved. While other markets for beef could be found, none were so profitable as those in the United States.

The dairy products situation in 1968 was dominated by Europe's 300,000 ton butter surplus which hung over the market. Early in the 1967–68 season there was a threat to the quota system in the form of increasing imports into the British market of "near butter" and butter oils. After approaches by New Zealand, Australia and other interested parties the British Board of Trade revoked existing licences for the import of "near butter" in 1967–68 and restricted imports of this description to 9,000 tons, provided they were not used for reconversion into butter, for the quota year 1968–69. The overall situation with regard to cheese was hardly more satisfactory. Revised quotas were imposed by the United States on certain cheeses as well as on condensed milk in 1968, affecting mainly the Netherlands and Australia—New Zealand successfully lobbying to have its cheese quotas in this market increased. In June 1968 the

New Zealand Government formally approached Britain seeking the imposition of a quota system similar to that for butter, but it was not until early 1969 that formal arrangements could be arrived at. The Irish Republic found difficulty in accepting a quota system within the terms of the Anglo-Irish free trade agreement, and reserved its position while exercising restraint.

The International Grains Arrangement negotiated in Rome, July and August 1967, and embodying the Wheat Trade Convention and the Food Aid Convention, came into force on 1 July 1968 after a year in which the International Wheat Council had had no jurisdiction over wheat prices or purchase obligations. The Wheat Trade Convention, like the former International Wheat Agreement, takes the form of a multilateral contract between exporting and importing member countries; but the undertaking by importing countries is stronger in the new Arrangement than under the I.W.A. since their obligation to buy within the approved price range applies to purchases from non-member countries as well as to those from exporting members. The International Wheat Council, which administers the Wheat Trade Convention, met in November 1968 to review the current wheat situation, and the outlook for 1968–69. The Council observed that world production and stock prospects for 1968–69 showed a significant change from the 1967–68 season; that world production was likely to reach a record level while the volume of international trade was unlikely to show a major change; and that carry-over stocks in some of the major exporting countries could be expected to show a considerable increase.

Manufactures and semi-manufactures:
trade liberalisation and preferences

With the increasing needs of foreign exchange for the implementation of their plans for economic development, developing countries have in recent years been looking more and more towards the expansion of markets for their manufactured and semi-manufactured products. World trade in manufactures has indeed been expanding rapidly—by an annual average of about 12 per cent from 1964 to 1968, compared with about 9 per cent for world trade as a whole. This has especially benefited the industralised world and it is noteworthy that, over the same five year period, the average annual expansion of the trade interchange between O.E.C.D. countries themselves, equalling the 9 per cent growth of world trade, exceeded the average annual advance of their imports from primary producing countries by two percentage points. The conclusion has been drawn that the greatest scope for a more rapid expansion of the foreign exchange earnings of developing countries would lie with manufactures and semi-manufactures exported to the richer countries of the world.

The problems connected with the export of manufactures and semi-manufactures from developing countries are many. Among the most important of them is the lack of adequate access to the developed-country markets of the world by virtue of the existence of a number of tariff and non-tariff barriers to the products of developing countries which, owing to their stage of development, are unable to compete effectively with the exports of developed countries themselves. Some of the other problems are poor productivity, absence of adequate techniques for preparing goods for export and marketing, and lack of merchandising skills and of effective promotional measures. The solutions to these problems are to be found in various fields—in trade liberalisation, involving mainly preferential treatment of products of developing countries, in technical and financial assistance for assisting efficient production and active promotional efforts by national governments of developing countries assisted by international agencies. In recent years, greater regional and inter-regional co-operation has been attempted in order to secure economies of scale, and the elimination of barriers within developing countries.

In the field of trade liberalisation, although a series of proposals emerged from the committees set up by GATT in the early '60's for dealing specially with the problems of the less advanced countries, the moves that were actually made proved to be tardy and insufficient. Consideration was mainly given to certain tropical products like tea, tropical hardwoods and certain spices, and the field of manufactures and semi-manufactures was scarcely touched. The Kennedy Round of trade negotiations which began in 1964 and ended nearly three years later, and which was hailed as the single most ambitious step so far taken by GATT for securing tariff cuts for the trade of industrial goods, was generally recognised as benefiting essentially the industrialised participants. Disappointment was, therefore, expressed by many developing countries and further moves urged for special exercises with a view to taking account of the unresolved problems of developing countries. In the meantime, fundamental changes in thinking had taken place both within GATT and outside and the creation of UNCTAD foreshadowed a new deal for the developing countries of the world. In the GATT too, the special importance attaching to the question of trade and development was borne out by the incorporation of Part IV on Trade and Development.

The question of according special treatment to the products of developing countries was raised in the wider international plane at the First United Nations Conference on Trade and Development held in Geneva in 1964. At this Conference, Britain had welcomed the initiative of developing countries and offered to "generalise" Commonwealth preferences provided Commonwealth countries concerned were agreeable and provided other developed countries accorded similar preferences to developing Commonwealth countries so as to compensate the latter for having to share their preferred position within the Commonwealth with non-Commonwealth developing countries. Not much progress could be made at the first UNCTAD on this question but international opinion continued to gain ground in favour of such special treatment and eventually led to a crucial and fundamental change during 1967 in American trade policy in favour of a consideration of temporary special tariff treatment for products of developing countries. These and other moves aided a conclusive consideration of the question at UNCTAD II held in New Delhi early in 1968, and led to the adoption of a unanimous resolution under which the principle of the grant of non-discriminatory non-reciprocal generalised preferences for the products of developing countries in developed-country markets was accepted, and a special committee on UNCTAD was set up in order to work out such a scheme of generalised preferences for implementation as far as possible early in 1970. The first meeting of the Special Committee on Preferences took place towards the end of 1968 to record the progress made by preference-giving countries—mainly O.E.C.D. members—in preparing their proposals, and to draw up a rough timetable of further action during 1969.

In the meantime, Australia, alone among the developed countries of the world and ahead of international initiatives in this behalf, introduced with the concurrence of GATT a scheme of preferential duties on imports of certain manufactures and semi-manufactures and handicraft products produced in developing countries. A first list of products and quotas was issued in 1966 and has since been followed by two more lists with a view to improving the operation of the scheme and progressively widening its scope. Towards the end of 1968 the Australian representative stated at the annual session of GATT that the total value of preferential quotas available to developing countries had increased from about £5·5 million in the first year to slightly more than double that sum, while the total quotas actually issued within the permissible limits had very much more than doubled even by 1967–68.

The developing countries of the Commonwealth have also had under consideration, meanwhile, the effects of the generalised scheme of preferences on existing Commonwealth preferences. All of them have been emphasising the importance of securing adequate compensation for the loss of existing trading benefits consequent on any scheme that may come into being in pursuance of the efforts at UNCTAD. Accordingly, Commonwealth Prime Ministers who met in London in January 1969 decided that there should be continuing consultations among Commonwealth countries on this subject during its consideration by UNCTAD and in other international forums and that the Commonwealth Secretariat should be in touch with developments in order to assist member countries in such consultations.

Trade expansion among developing countries and regional co-operation

While pressing in various international forums for the removal of the existing barriers to trade in developed countries, developing countries have simultaneously been considering, both in UNCTAD and in regional organisations, measures for liberalisation of trade among themselves. Despite the fact that owing to the requirements of their economic development and of satisfactory balance of payments, many developing countries have necessarily had to impose certain restrictions on their non-essential imports, developing countries have expressed their readiness to consider relaxation of restrictions to trade among themselves and, more positively, concrete measures for the expansion of such trade. This has led in recent years to various forms of regional and inter-regional co-operation both within and outside the Commonwealth, calculated not merely to reduce trade barriers but to harmonise industrial and development plans and, in a few cases, to the formation of customs unions and common markets.

In the context of expansion of trade among developing countries, India entered into a Trade Expansion and Economic Co-operation Agreement with two non-Commonwealth countries, namely, the U.A.R. and Yugoslavia, towards the end of 1967. Under this arrangement, which came into force on 1 April, 1968, and which was formally approved by GATT towards the end of that year, the three countries have cut tariffs on a range of imports from one another, consisting mainly of manufactures and semi-manufactures by 40 per cent (raised to 50 per cent from 1 April 1969). The common preferences list has been negotiated with reference to the interest of the individual countries and mutuality of benefit, and covers six to ten per cent of the trade of the three countries with each other. There is provision for new entrants to the scheme, with a corresponding review of the common list, and for a possible merger with other similar systems.

Another Commonwealth country, Pakistan, entered a few years ago into an Agreement for Regional Co-operation and Development with two non-Commonwealth countries, namely, Iran and Turkey under which a number of measures for co-operation in trade, and in various economic fields have been agreed on. An instance of a regional arrangement between a developed Commonwealth country, namely, Canada and the United States of America is the Automotive Products Agreement entered into between them in 1964, and it is a striking fact that since the operative date of the Agreement the expansion of trans-border trade in complete vehicles and automotive parts has accounted for about 15 per cent of the increase in world trade (of all countries).

The Lagos Agreement, associating Nigeria with the E.E.C., was still a dead letter in the absence of ratification by the French Parliament, while the Arusha Agreement signed in 1968, and linking Kenya, Uganda and Tanzania in a similar manner with the E.E.C., could not operate for lack of the necessary ratifications before its expiry date—timed to coincide with termination of the Yaounde Convention in May 1969. Progress was made with the Maltese Government's request for negotiations "with a view to establishing a relationship between Malta and the Community in such form as may be considered most appropriate."

Outside the European context, Zambia, Ethiopia, Somalia and Burundi applied in 1968 to join the East African Community which was launched at the end of the preceding year—following the Philips Commission's report on the working of the former East African Common Market and the Kampala Treaty of Co-operation signed in June 1967. The treaty under which E.A.C. was formed provided for the introduction of a transfer tax to promote balanced industrial development among the three countries. Any one of the countries in deficit on its total trade in specified manufactured goods with the other two countries may, conditionally, impose transfer taxes limited to half of the relative (external) customs duties on such goods originating in those countries. The formation of E.A.C. was a major step in African economic co-operation and development, and the hope was soon entertained for its expansion. No set procedure was laid down by the Treaty of East African Co-operation for carrying out this process, which would necessarily be lengthy and difficult for several reasons, but an exploratory series of talks was held in Mombasa in November 1968.

At a summit conference in Barbados in October 1967, Commonwealth Caribbean Heads of Government agreed on the establishment of a regional free trade area to enter into effect on 1 May 1968. The CARIFTA Agreement provides essentially for the removal of tariffs on all trade between signatories with the exception of products specified in a relatively short Reserve List. Trinidad & Tobago, Guyana, Barbados and Jamaica have five years to abolish tariffs on reserve items and the smaller members ten years. A supplementary agreement includes an agricultural protocol requiring member countries to reduce their extra-zonal imports of 22 basic food commodities over three years to 30 per cent of their 1966 level.

The Eastern Caribbean Common Market Agreement, which was signed in Grenada on 11 June 1968, creates a common market comprising the five Associated States of the West Indies (Antigua, Dominica, Grenada, St. Kitts and St. Lucia) and St. Vincent.* The elimination of import duties among the Common Market territories follows the schedule used by CARIFTA. Article 7 of the Agreement provides for the establishment of a common external tariff within three years.

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* All of which are members of CARIFTA.

Intra-Commonwealth trade

The three main components of intra-Commonwealth trade, have been the exports of Commonwealth countries to Britain, the imports of British goods by these same countries, and the cross trade of Commonwealth countries other than Britain with one another. This last segment has often been influenced by historical relationships or geographic propinquity. For example, the trade of Commonwealth Caribbean countries with each other and with Canada arose out of the British connection and the natural complementarity of the trade in sugar and other tropical products in one direction against forest products, salt fish etc., in the other direction. Many of these relationships either have been, or are being, superseded by a new set of relationships reflecting the current interests of the countries concerned—with mixed results for intra-Commonwealth trade. But it is the trade to and from Britain that still accounts for some two-thirds of the total of intra-Commonwealth trade, so that any analysis of the declining proportion of intra-Commonwealth to total Commonwealth trade—as shown in Table 3—must start from this point.

TABLE 3

INTRA-COMMONWEALTH TRADE *a*

£ million

	1964	1965	1966	1967	1968*b*
Exports and re-exports from the Commonwealth:					
United Kingdom to other Commonwealth countries	1,249	1,335	1,297	1,219	1,390
Other Commonwealth countries to United Kingdom	1,478	1,435	1,431	1,366	1,614
Other Commonwealth countries to each other	1,144	1,188	1,172	1,241	1,426
(1) Total intra-Commonwealth	3,871	3,958	3,900	3,826	4,430
(2) Total to all countries	12,015	12,713	13,785	14,211	18,202
(1) *as percentage of* (2)	*32*	*31*	*28*	*27*	*24*
Imports into the Commonwealth:					
United Kingdom from other Commonwealth countries	1,706	1,673	1,590	1,574	1,792
Other Commonwealth countries from United Kingdom	1,295	1,419	1,349	1,267	1,507
Other Commonwealth countries from each other	1,102	1,118	1,144	1,218	1,459
(1) Total intra-Commonwealth	4,103	4,210	4,083	4,065	4,758
(2) Total from all countries	13,705	14,585	15,140	16,310	20,108
(1) *as percentage of* (2)	*30*	*29*	*27*	*25*	*24*

a Sum of individual country valuations.
b Actuals, or annual rates based on latest data.

Generally, the decline in the share of Britain in world trade leads to the supposition, which is borne out in fact, of a smaller proportion of exports from other Commonwealth countries finding a market in the United Kingdom, and of the latter being able to meet only a smaller proportion of their import requirements. Relevant data for individual countries in recent years are shown in Appendix tables II to IX. Special factors include the planned diversification of trade flows associated with development policies following independence, the effective decline of Commonwealth preferences, the emergence of European trade groupings, the industrialisation of Commonwealth countries, the influence on trade of the diminution in the international role of the London capital market and the growth of massive flows of official aid—most notably from the United States.

These considerations are still, collectively, a potent and pervasive influence, not least the continuing British desire to join the European Economic Community, which affects the intensity and direction of private marketing effort as well as the development of international trade policy. Since the passing of the U.K. Agriculture and Horticulture Act of 1964, which put limits to the extent of price guarantees and made provision for the imposition of import levies in certain cases, British agriculture has in fact been moving in the direction of greater compatibility with the managed market techniques of the common agricultural policy of the E.E.C. Fairly substantial levies were imposed on imports of certain cereals in 1968—when Britain was no longer bound to preserve a balance between home production and imports, having been able to drop the bilateral cereals agreements with main suppliers in the context of the Kennedy Round. Since the production of the national plan for agriculture in 1965, Government policy has aimed to provide additional incentives to expansion of production, particularly in wheat and beef. Devaluation in November 1967 brought a further evolution of the role of agriculture in import savings and just a year later it was forecast that the Government would enable the industry to save £160 million (at current prices) on imports annually by 1972-73. Though this would be an important marginal contribution to the British balance of payments, its effect on intra-Commonwealth trade would be largely confined to Canada, Australia and New Zealand. Not many years ago, Britain was the major world importer of wheat, with Canada and Australia as the major suppliers. The Indian sub-continent has surpassed Britain in this respect, but obtains the bulk of its supplies from outside the Commonwealth, while Eastern Europe and China have taken a substantial proportion of the export surpluses of Commonwealth producing countries. Furthermore, the Food Aid part of the International Grains Arrangement that emerged from the Kennedy Round, and similar possibilities that have been proposed in GATT for the elimination of dairy surpluses, all tend towards a further diversification of trade which was at one time focussed predominantly on the United Kingdom.*

The mutual trade of Commonwealth countries other than Britain does not in practice fall into neat regional categories, but regional influences (formal or informal) are strong here and there, especially in the Pacific (Australia, New Zealand, Canada, Hong Kong, Malaysia, Singapore), in East Africa (inter-territorial transfers between Kenya, Uganda and Tanzania) and in the Caribbean. Canadian relations with the Commonwealth Caribbean were formalized in the 1926 bilateral trade agreement with the then British West Indies, providing essentially for the exchange of tariff preferences. The Trade Protocol negotiated at the 1966 Commonwealth Caribbean-Canada Conference updated and revised the earlier agreement, adding specific provisions of interest to both sides, consultative provisions and an undertaking to examine the agreement with a view to its possible re-negotiation after the Kennedy Round.

Canadian exports to the Commonwealth Caribbean, of which over a third go to Jamaica alone, consist mainly of a very broad range of manufactured and semi-manufactured products, but foodstuffs (especially fish, flour and meats)

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* Technical considerations exaggerate the trend. For example, it is now more economical to ship some Canadian wheat to London via Rotterdam, and this shows up in the statistics as British and Canadian trade with the Continent, not intra-Commonwealth trade. The present revolution in shipping and cargo handling facilities, the multiplication of local auction centres and commodity boards in producing Commonwealth countries, and the declining tendency of exporters to ship produce on a consignment basis to the London commodity markets, will all affect the presentation of statistics of overseas trade.

account for more than a fifth of the total value. Canadian imports from the Commonwealth Caribbean consist almost entirely of bauxite and alumina from Jamaica and Guyana, petroleum from Trinidad and Tobago, and sugar, molasses and rum from the same three countries.

In 1967 the Canadian Government initiated a system of special rebates to Commonwealth Caribbean sugar producers of the (preferential) duty, 0·29c. per cwt, on their sales—this rebate to be paid in respect of all shipments up to a volume equal to average imports in the five years to 1966. In effect, this meant that on a specified volume of sales to Canada, a maximum of 275,000 metric tons, the West Indian sugar producers would receive world free market price plus the amount of the Canadian m.f.n. tariff—$1·29 per cwt.

The East African Community replaced the East African Common Market under which the economies of Kenya, Uganda and Tanzania were gradually being integrated. Since 1950, and especially over the past six years, advances have been made principally by the expansion of cash crops for export, and by the growth of light manufacturing of consumer goods and some basic industries such as cement making and petroleum distillation. Regional intra-trade consists mainly of such items as soap, pyrethrum, clothing and blankets, beer and spirits, footwear, margarine, paints and brushes etc., paper products, iron and steel manufactures, cement and petroleum products—as well as wheat and dairy produce, and fruit and vegetables, from those parts of Kenya endowed with a suitable climate for their production. This intra-trade (other than transit trade), like that within the Commonwealth Caribbean and the trade between Malaysia and Singapore, comes up against the problem of maintaining a balance of industrial development within the region, and the success or otherwise attending the attempts to overcome this problem determines the relative growth or decline of this type of intra-Commonwealth trade.

The trade between Commonwealth countries of the Pacific is helped by some formal arrangements such as the Australia-New Zealand Free Trade Agreement, but this is of limited scope at present. Also, the bilateral preferences exchanged between Canada, Australia and New Zealand in the 1930's are of material assistance. But the one thing that has dominated trans-Pacific trade in the 1960's has been the extraordinary growth of U.S. trade associated, directly or indirectly, with the prosecution of the war in Vietnam. The United States is the main export market for Canada, and so Canadian trade has boomed. It is also the main market for Japan, which is in turn the chief export market for Australia. Hong Kong and Singapore are focal points in this interchange. Even New Zealand, whose trade is still predominantly oriented towards Europe, and whose wool suffered such a setback in the U.S. market in 1967, has made record sales of beef to the United States and many look to Japan for larger sales of mutton and skim milk powder if protectionist forces do not get the upper hand. So long as the world trade of these "Pacific" countries expands at a disproportionately fast rate, it can be expected that their intra-Commonwealth trade will do likewise. Rates of growth are, however, closely linked with the state of the U.S. economy.

Overlying the regional aspects of intra-Commonwealth trade are some of the general influences which apply equally to trade with Britain. These include the generality of Commonwealth preferences (tariff, quota or otherwise). Hong Kong is the classic case of a country which has been able to industrialise very rapidly as a result of preferred access to rich markets—chiefly Britain, of course, but to some extent also Canada, Australia and New Zealand. Hong Kong has increased its exports to Canada of clothing; prams, games and toys; woven cotton fabrics; wigs; and plastic flowers. There were increases in textile exports following the three year agreement between Canada and Hong Kong in October 1966. This set a quota of 11·09 million square yards. Canada has also introduced quotas on several finished clothing items and Hong Kong has followed with export restraints.

The story from the Canadian side has not followed the same pattern. Five years ago Canada enjoyed a slightly favourable balance of trade with Hong Kong. It was based largely on importation of polystyrene and polyethylene for the Colony's blossoming plastics industry. At that time Hong Kong was prepared to pay the higher Canadian price for its raw material so that it could benefit from Commonwealth preferences in Britain and other countries. But as Hong Kong manufacturers broke into the U.S. market and found acceptance for their plastics elsewhere, they soon turned to Japan's lower-priced raw materials.

As shown in Table 3, the proportion of intra-Commonwealth trade to total trade has fallen steadily, and at a historically rapid rate, from 1964 to 1968. A part of the explanation for this, but only a relatively small part, lies in the evolution and execution of international trade policy. The major part of the explanation, however, lies in the extraordinary growth of demand for imports in certain areas about which in consequence world trade has increasingly tended to polarize. These areas are the United States, the European Economic Community and Japan—all of which, as markets for Commonwealth countries, are considered in detail in following sections of this report. It will be sufficient here to note only that Canadian exports to the United States went up by over a quarter from 1967 to 1968, while British exports to that market rose by 43 per cent in terms of sterling. Because of the weighting of British and Canadian trade in total Commonwealth trade, these facts alone go far to explain (from a purely statistical point of view) the fall in the proportion of intra-Commonwealth to total Commonwealth exports—from 26·9 per cent in 1967 to 24·3 per cent in 1968.

To recognise that there are strong tendencies, in the development of the trade of Commonwealth countries, towards a diminution in the relative weight of the intra-Commonwealth component, is not to fall into the error of minimising the importance of the latter. Intra-Commonwealth trade is 5 per cent of world trade—and that amounts to a great deal. Structurally, about two-fifths of it represents the trade of Britain, Canada, Australia and New Zealand with each other, and about three-quarters of the remainder is accounted for by the trade flows between these four advanced countries and the developing countries of the Commonwealth.

United States

During the period from 1941 to 1957 the United States had an average annual deficit of less than $600 million, with a surplus of $5·2 billion for trade and services, a deficit of $6·6 billion for military and government transactions and a surplus of $800 million for capital. During the following ten years the trade and services surplus was only $2·6 billion, while the deficit for military and government transactions was $5·5 billion, and the capital account was barely in surplus. On an average, the deficit was four times greater than during the preceding period. After 1965, the surplus in the trade balance dropped continuously. Results for 1968 show a surplus of a mere $500 million (on a balance of payments basis), down $3 billion from the relatively poor showing of 1967 and down more than $6 billion from 1964. With imports going up by 23 per cent in calendar 1968, while exports rose only 9 per cent (which was itself better than usual), the crude surplus of exports minus imports fell to $726 million—the lowest since 1937—compared with $4,122 million in 1967. Imports as a proportion of gross national product rose to 3·8 per cent, the highest since the second World War. Against this background it was not surprising that certain protectionist tendencies asserted themselves.

On 1 January 1968 the President announced a stiff programme to improve the U.S. balance of payments. The month was not far along before an outflow of funds from Canada, widely attributed to subsidiaries of U.S. companies, commenced. It gained momentum and on 18 January the Canadian dollar fell in New York to its lower intervention point of 91·75c. (U.S.), at which level it had usually been supported by the Bank of Canada. Bank rate was raised to 7 per cent. Canada drew on its swap arrangement with the Federal Reserve System and the IMF. In March it was announced that the U.S. would exempt Canada from all restraints on foreign investment under its balance of payments programme, and that stand-by credits aggregating $U.S. 900 million had been made available to Canada from U.S. and European financial institutions. Recovery set in and by August the Canadian dollar was so fully restored to health that it was pushing the country's foreign exchange reserves hard against the official ceiling (set originally in 1963 under the Interest Equalisation Tax Exemption Agreement). Tourist spending in Canada was well up, exports were running about 15 per cent above the previous year's level and the visible trade surplus, January to July, was $641 million compared with $201 million in the corresponding period of 1967. By January 1969 the Trade and Commerce Minister was able to announce that Canadian export growth in 1968 was in absolute terms the largest ever achieved and in percentage terms the largest since the Korean war. Exports had reached $13,574 million, an increase of over 19 per cent on 1967. Exports to the United States alone had risen 25 per cent to reach $9.218 million.

At about the same time it was announced that the U.S. balance of payments programme had been so successful that, in spite of the very poor trade balance, a $150 million payments surplus on a "liquidity basis" had been provisionally recorded for 1968—the first surplus on this basis since 1957.* On an official settlements basis a huge surplus of $1,700 million was reported by the Treasury, but this method of accounting is influenced by, for example, formal considerations regarding the composition of Canadian reserves. It was announced in January 1969 that, by informal understanding between the United States and Canada, the "reserves target" figure would be dropped.

Behind the remarkable turnround in the U.S. balance of payments were a number of special considerations, including the fact that the major infrastructural buildup for the war in Vietnam had been completed early in 1968. But the swing came in the capital accounts and these could not fail to have been influenced by the weakness of the dollar at the time of sterling devaluation followed by a progressive strengthening as events in Europe and the Middle East, including the Czech scare and the Franc crisis, clouded the outlook for European currencies.† Special factors also influenced movements in the trade balance, but in the other direction. These included the long-drawn out copper strike and heavy buying of foreign steel as a hedge against possible steel and dock strikes. These, however, only accentuated a trend already in evidence, as with rising costs leading to higher prices U.S. products were becoming steadily less competitive at home and abroad. Inflation in the United States grew faster in 1968 than at any time since the Korean war, and at year's end the overall unemployment rate was 3·3 per cent, the lowest for fifteen years. Because of the close industrial and financial symbiosis between the United States and Canada, inflation was also one of the chief economic problems in the Dominion.

British exporters took advantage of their opportunities in the U.S. market. In 1968 British exports to the United States increased by 43 per cent in sterling,

* Later amended to $190 million.

† There was also a last-minute rush by businesses, according to the U.S. Department of Commence, to bring capital from abroad by the end of the year to keep in line with temporary Government controls.

TABLE 4

EXPORTS FROM THE COMMONWEALTH TO THE UNITED STATES

£ million

	1964	1965	1966	1967	1968a
United Kingdom	429	521	652	639	909
Canada	1,471	1,668	2,066	2,428	3,553
Australia..	99	114	142	139	202
New Zealand	51	43	62	56	86
India	107	112	108	91	122
Pakistan	12	17	25	27	37
Ceylon	11	11	10	10	10
Malaysia	48	65	56	61	83
Singapore	12	13	17	28	43
Hong Kong	80	113	134	165	249
Ghana	24	18	14	8	27
Nigeria	14	26	26	19	16
Uganda	18	14	17	14	21
Jamaica	27	29	31	32	38
Trinidad & Tobago	43	46	57	68	82
Other Commonwealth	41	43	41	49	65
Total	2,487	2,853	3,458	3,834	5,543

a Actuals, or annual rates based on latest data.

almost all categories of goods making notable advances. There was a near quadrupling of exports of aircraft engines, (to be incorporated in military aircraft being purchased by the United Kingdom). Shipments of iron and steel, and of non-ferrous metals (comprising mostly copper and silver) went up by 71 per cent and 55 per cent respectively. Exports of whisky and non-electrical machinery rose by two-thirds while rises of about a third were shown by chemicals, electrical machinery and textile products. Sales of British cars also mounted during the period, by a third in terms of sterling.

The Canadian export performance in the U.S. has already been mentioned. Deliveries of passenger cars, and trucks, buses and chassis, from U.S. subsidiaries in Canada registered another strong increase, but the rate of growth was substantially lower than in 1967. On the other hand, shipments from these plants of automotive parts and accessories rose at an accelerated pace in 1968. Deliveries of aircraft—mainly small twin-engine and rebuilt planes—rebounded after a sharp drop in the previous year. Among other Commonwealth countries important gains were scored by India and Pakistan, by Australia and New Zealand (mainly beef), Malaysia (mainly tin and rubber), Hong Kong (mainly wearing apparel and transistor radios), Ghana (mainly cocoa), and Zambia, which increased its copper exports owing to strike-hedge buying in the United States and shortage of Chilean supplies. All in all, aggregate exports from the Commonwealth to the United States increased by about a quarter.

Among Commonwealth countries that failed to show any very marked gains in the U.S. market in 1968 was Ceylon. In fact exports from Ceylon to the United States fell, mainly as a result of the commodity composition of its trade, which is dominated by that sterling commodity, tea. By way of contrast, dollar sales to the U.S.A. from Hong Kong, aided by progressive liberalisation of textile quotas, rose to a level almost three times higher between 1964 and 1968. The Indian devaluation of June 1966 showed signs of producing results, and in 1968 the dollar value of exports to the United States rose by a sixth—to a level, however, still not significantly higher than that of 1964. The Indian export list to the U.S.A. is extraordinarily varied, but is dominated by jute manufactures—

chiefly burlap, jute bagging and gunny cloth. As shown in Appendix Table XII, U.S. imports of jute manufactures from India have fluctuated around $U.S.150 million annually from 1964 to 1968, with no obvious tendency to growth.

TABLE 5

IMPORTS INTO THE COMMONWEALTH FROM THE UNITED STATES

£ million

	1964	1965	1966	1967	1968*a*
United Kingdom	651	672	723	812	1,063
Canada	1,694	1,998	2,359	2,652	3,484
Australia..	249	269	280	306	414
New Zealand	33	42	40	35	43
India	398	371	356	385	359
Pakistan	148	140	94	129	130
Ceylon	4	4	6	8	12
Malaysia	21	23	24	25	32
Singapore	22	22	24	28	47
Hong Kong	61	62	68	88	119
Ghana	11	14	21	18	22
Nigeria	29	33	42	28	29
Zambia	4	7	14	16	31
Malawi	—	1	1	1	1
Jamaica	31	33	43	49	61
Trinidad & Tobago	21	29	23	25	25
Other Commonwealth	79	85	97	112	123
Total	3,456	3,805	4,215	4,717	5,995

a Actuals, or annual rates based on latest data.

On the side of imports, the value of inward clearances by Commonwealth countries from the United States, in terms of dollars, rose only by about a tenth in 1968. This was in line with the expansion of U.S. exports to the world as a whole. The major increases were recorded by Canada, Britain, Australia and Hong Kong respectively, rises and falls among the remainder being evenly matched.

European Economic Community

On 1 July 1968 the member countries of the European Communities completed the formation of a customs union and brought under a common agricultural policy, based on common prices, common import and export regimes and Community financial support, all the main agricultural commodities entering their mutual trade in domestic produce. A common market for milk and dairy produce and for cattle and calves had been scheduled to come into being in April 1968, but agreement on the terms was not reached until late May for implementation on 1 July. On that date also, unified markets for sugar and tobacco, flowers and ornamental plants came into being, thereby making the common agricultural policy practically complete.

As with other major agricultural commodities produced in the Community, the two parts to the management system for sugar are common marketing and common prices. The first stage of common marketing started on 1 July 1967, and common prices started from 1 July 1968, together with comprehensive marketing, but certain transitional provisions will continue until 1975. Since the CAP applies to Reunion, Martinique and Guadaloupe—three sugar-producing islands which are legally part of France—the managed marketing system has to extend to the cane sugar production of these islands as well as to the beet production of Europe.

The form of the marketing system for sugar is basically similar to the pattern of domestic and frontier (and port) controls operated for the other major agricultural commodities in the Common Market, with one important exception. In the case of sugar there were fears that such open-ended arrangements might produce unmanageable surpluses with consequential heavy costs to the Community's Agricultural Fund. Accordingly, superimposed on the standard marketing system are quota arrangements. If these quotas are exceeded, then according to the amount of the excess, the support from Community funds is either reduced or eliminated. Quantities of sugar manufactured in excess of 135 per cent of basic quotas must be sold outside the Community without any export subsidy.* Between 1968–69 and 1975 the overall Community quota for white sugar is 6,480,000 metric tons a year. This figure is some 13 per cent higher than the average production of recent years but is held to be in line with production expectations and consumption trends in Common Market countries.

E.E.C. participation in the UNCTAD negotiations leading to the new International Sugar Agreement of 1968 was adversely affected by questions of formal status, but as it eventually transpired, non-participation by the E.E.C. countries in the final Agreement turned on the size of the quota. An export quota of 300,000 tons had been offered to them as against the 1,200,000 tons they were seeking. If the Six remain outside the International Sugar Agreement (and it has been hoped that this will not be so for long) they will not be bound by the I.S.A. floor price. Thus it was thought possible that E.E.C. surpluses would pose a serious threat. However, the participants to the Agreement, of which the most important non-preferential importing country is Japan, undertook to limit their imports from non-participants to a level not exceeding their average for the period 1966–68, or to nil if world prices fell below 3·25 c. per lb.

In December 1967 the Council of the European Communities formally approved extension for eighteen months, i.e. until the expiry date of the Yaoundé Convention, of the tariff suspensions for tea, maté, tropical woods, certain spices and some sports equipment—measures to assist in particular some exports of India, Pakistan and Ceylon.

E.E.C. exports increased in value by 14 per cent in 1968 and imports by 13 per cent. After a moderate increase of exports from West Germany in the first half of the year there was a rapid acceleration in the third quarter and the rise continued into the fourth. The strong recovery of domestic activity entailed also a marked expansion of imports, particularly in the second half of the year. After rising rapidly at the beginning of the year exports from France fell sharply because of the stoppages in May and June, but later made a vigorous recovery. In July a rapid growth of exports was maintained, but for the year as a whole imports rose by only 6 per cent.

Aggregate exports from Commonwealth countries to the E.E.C. in 1968 resumed their growth after falling in the preceding year due to depressed conditions especially in West Germany. However, the pace of advance was impeded by the restrictions imposed by France and operating roughly throughout the second half of 1968. British exports of cars, in particular, were adversely affected as a result. The dollar value of British exports to Community countries as a whole increased by 7 per cent. Exports from Canada went up by a tenth, while those from Australia to the E.E.C. showed no marked change in terms of

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* It should not necessarily be assumed, however, that this would limit expansion of cane production in the French Departements, especially at higher world prices contemplated under the International Sugar Agreement.

TABLE 6

EXPORTS FROM THE COMMONWEALTH TO THE EUROPEAN ECONOMIC COMMUNITY

£ million

	1964	1965	1966	1967	1968*a*
United Kingdom	963	982	1,045	1,042	1,291
Canada	187	210	213	227	294
Australia..	155	153	165	150	173
New Zealand	66	61	58	38	42
India	45	41	43	38	59
Pakistan	24	27	35	27	73
Ceylon	12	12	10	10	13
Malaysia	46	46	46	39	49
Singapore	17	19	22	24	39
Hong Kong	31	40	47	43	50
Ghana	34	32	21	20	34
Nigeria	77	96	101	96	82
Zambia	52	57	84	63	89
Malawi	1	1	2	2	2
Trinidad & Tobago	15	14	14	9	6
Other Commonwealth	75	84	85	58	74
Total	1,800	1,875	1,991	1,886	2,370

a Actuals, or annual rates based on latest data.

TABLE 7

IMPORTS INTO THE COMMONWEALTH FROM THE EUROPEAN ECONOMIC COMMUNITY

£ million

	1964	1965	1966	1967	1968*a*
United Kingdom	941	995	1,104	1,264	1,567
Canada	134	170	182	207	256
Australia..	113	138	136	154	191
New Zealand	20	23	24	26	25
India	121	156	128	127	136
Pakistan	62	82	61	70	78
Ceylon	16	13	17	20	18
Malaysia	32	38	36	35	40
Singapore	26	29	32	36	46
Hong Kong	45	48	49	53	71
Ghana	28	34	27	22	25
Nigeria	59	68	68	58	64
Zambia	4	8	10	19	23
Malawi	1	1	2	2	2
Kenya	14	15	21	23	28
Other Commonwealth	88	106	112	107	123
Total	1,704	1,924	2,009	2,223	2,693

a Actuals, or annual rates based on latest data.

dollars. The dollar value of exports from New Zealand edged down slightly after the big drop in the previous year owing to the fall in the wool market. This was the fourth year running in which exports from New Zealand to the Community had registered a setback. Exports from India, Pakistan and Ceylon all showed a favourable movement but, as was the case in the U.S. market, only Pakistan showed a really sizable gain comparing 1968 with 1964 in terms of dollars. Exports from Hong Kong held steady after the fall in the preceding year, while those from Ghana showed a strong revival. Nigerian exports to the E.E.C. slumped heavily for obvious reasons while Zambia, which normally supplies about a quarter of the copper requirements of the Community, did well.

Total imports of Commonwealth countries from the European Community continued their regular advance in 1968 but in terms of dollars the rise was less than half that of the expansion from 1966 to 1967. The increase in the British and Canadian figures was proportionately greater than for most other Commonwealth countries, among which the declines matched the rises.

European Free Trade Association

The European Free Trade Association was deemed from its inception to be a temporary grouping which would enable its members to achieve some of the aims, such as tariff demobilisation, which were held in common with the European Economic Community, but which could not be pursued from within the latter until the evolving situation rendered it possible. But though its articles of association envisioned its own demise, time and the seeming remoteness of its ultimate objective of a wider European grouping, combined with a sense of achievement, have given it a more permanent look and a momentum of its own. Its immediate target—the achievement of free trade among its membership in goods classified as "industrial"—was reached ahead of schedule on 1 January 1967.

According to a study entitled "The Effects of EFTA on the Economies of the Member States," published in 1968 by its Secretariat, the abolition of industrial tariffs and the reduction of other trade barriers within the Association had led to an estimated increase in the seven members' trade amounting to $830 million by 1965. Of this, $457 million was estimated to have been due to the switching of trade away from non-members (trade diversion), while the balance of $375 million represented an upward shift brought about in world trade (trade creation). About a quarter of the total increase in intra-EFTA trade between 1959 and 1965 was attributed directly to the Association. From studies of individual countries it appeared that Britain's balance of trade in 1965 benefited to the extent of $190 million. The U.K. trade balance effect was by far the largest among the member countries, more than 40 per cent of the net export effect for all EFTA countries. The largest effects on British exports were to be found in metals and engineering products and, on imports, in pulp and paper.

Portugal recorded the greatest effect on exports, measured as a percentage of the rise from 1959 to 1965 in both total exports and exports to EFTA. No less than half the increase in exports to other member countries during this period appeared to have been due to the creation of the free trade area. The export effect on Portuguese trade was almost entirely concentrated on textiles, while about three-quarters of the import effect covered metals and engineering products.

Trade of the Continental EFTA countries rose considerably less rapidly in 1968 than that of the E.E.C. in spite of a relatively fast growth in intra-EFTA trade: exports went up by 10 per cent and imports by 6 per cent. Norway and Switzerland improved their balances of trade, but there was little change elsewhere.

TABLE 8

EXPORTS FROM THE COMMONWEALTH TO CONTINENTAL MEMBERS OF EFTA

£ million

	1964	1965	1966	1967	1968*a*
United Kingdom	575	613	684	706	803
Canada	50	55	68	58	81
Australia..	9	11	10	12	11
New Zealand	4	4	4	4	4
India	8	7	6	7	8
Pakistan	3	4	4	4	7
Singapore	2	2	2	7	8
Hong Kong	12	13	15	22	24
Zambia	5	8	14	14	20
Jamaica	5	7	7	9	9
Trinidad	6	10	11	12	19
Other Commonwealth	29	33	23	18	31
Total	708	767	848	873	1,025

a Actuals, or annual rates based on latest data.

With industrial free trade having been achieved among EFTA countries, other than the associate member Finland, on 1 January 1967, the momentum of relative expansion in intra-EFTA trade would have been expected to slacken from 1968 onwards. And as it happened, British exports to the continental members of the Association, in terms of dollars, showed no appreciable movement in 1968, mainly as a result of a heavy drop—amounting to 14·4 per cent, in the value of exports to Norway. The timing of high-value exports of ships to that country can cause considerable year-to-year fluctuations in the valuation of trade. British exports fell by 3·3 per cent to Denmark, but rose 1 per cent to Switzerland, 2 per cent to Sweden, 9 per cent to Portugal and 14 per cent to Austria. EFTA was the only major trading area in which the value of British

TABLE 9

IMPORTS INTO THE COMMONWEALTH FROM CONTINENTAL MEMBERS OF EFTA

£ million

	1964	1965	1966	1967	1968*a*
United Kingdom	630	665	716	811	999
Canada	45	58	69	78	94
Australia..	42	47	47	47	60
New Zealand	8	11	8	9	10
India	24	25	21	21	25
Pakistan	8	9	14	9	11
Malaysia	5	6	8	8	8
Singapore	10	11	10	17	18
Hong Kong	16	17	17	21	27
Nigeria	11	16	8	9	11
Other Commonwealth	32	34	35	38	42
Total	831	899	953	1,068	1,305

a Actuals, or annual rates based on latest data.

exports showed no growth, in terms of dollars, in 1968. The dollar value of British imports in 1968 went up by 7·4 per cent, year on year. Trade with Norway provided one of the contentious issues to face the Association in that year, when the British Government decided to apply a 10 per cent duty on imports of frozen fillets arriving from EFTA. Previously the trade had been covered by an annual 24,000 tons duty-free quota, but this quota had been substantially exceeded, mainly by imports from Norway. The British Government first sought action along the lines of a voluntary restraint on exports to the United Kingdom, but these efforts had failed and the decision to impose a duty had been the only alternative.

As regards the development of Commonwealth trade as a whole with Continental EFTA countries in 1968, not surprisingly the totals of both imports and exports moved roughly in line with the British figures. Commonwealth exports to Continental EFTA rose 17 per cent in terms of sterling, which represents a negligible movement in dollars. The sterling value of Commonwealth imports from Continental EFTA rose by 22 per cent in 1968. About half of Canadian exports to Continental EFTA go to Norway, and of this in turn about 70 per cent consists of copper/nickel matte shipped to a Canadian-owned refinery. For the rest, the export list is very broad and most shipments are made in small quantities. The composition of Canadian exports to Continental EFTA is slowly changing to include more fully manufactured goods. Among other Commonwealth countries, copper exports from Zambia and bituminous products from Trinidad and Tobago have shown a steady year-by-year growth.

Japan

Japanese exports and imports on a Customs clearance basis during calendar 1968 were almost in balance again after the substantial deficit amounting to $1,220 million in the preceding year. The value of exports went up by 24·3 per cent to $12,979 million, while imports rose 11·4 per cent to reach $12,989 million. Improved business conditions in the United States (which takes about a third of Japanese exports) and in Western Europe, were the main factors influencing export growth. This, together with capital inflow, brought about a strong improvement in the balance of payments and enabled progressive relaxation of monetary restraints. Industrial production had not been severely affected by these restraints, however, and indeed the output of cars in 1968 exceeded four million for the first time.

To the fore in Japanese exports nowadays are steel, ships, cars, machinery and other heavy industrial products whereas formerly the leaders were textiles, chinaware, toys and other consumer goods. Advance U.S. purchases in anticipation of a steel strike in 1968, and hasty Japanese shipments in expectation of a U.S. longshoremen's strike at year-end, led to a total export growth of 35·8 per cent to the main market. The value of shipments to South Korea went up by 48 per cent, those to Taiwan rose 44 per cent, to Hong Kong 34 per cent and to the E.E.C. 25 per cent. Considered item by item, Japanese exports of steel, machinery, automobiles, television and wireless receivers, tape recorders and other household electric appliances expanded rapidly. Imports of food, pig iron and scrap iron, on the other hand decreased somewhat.

Japanese exports of steel products in 1968, amounting to 13·2 million tons valued at $1,810 million, showed a rise of 45 per cent by volume and 33 per cent by value compared with the preceding year. Classified by regions, the United States was the best overseas market for steel products, taking 6·9 million tons —an increase of 60 per cent over the previous year. Shipments to China rose by about the same percentage to 987,000 tons, while those to Taiwan and South

Korea went up by 32 and 42 per cent respectively. European markets took 70 per cent more Japanese steel in 1968 than in 1967.

Throughout the nineteen sixties the extraordinary growth of Japanese industry, and especially the steel industry, has generated a heavy demand for raw materials. To a growing extent future supplies of ores, etc. have been covered by the signing of long term contracts with overseas companies, which are not infrequently locally registered subsidiaries formed for the purpose. The capital of these subsidiaries, represented by fixed assets in the shape of mining plant and equipment, ore transporation and dockside facilities, is secured by the long term contracts for their output. Among the Commonwealth countries most affected by this fruitful admixture of trade and development are Australia, Canada and India. There are a great many long term contracts presently in force for the supply of Australian iron ore and coal to Japan, and in January 1969 what was believed to be the world's largest coal purchase contract was concluded.

Because of the great Japanese demand for industrial raw materials including, from Australia, wool, iron ore and coal, and from Canada, iron ore, nickel, other non-ferrous ores and scrap metals, timber and oilseeds, trade with these two Commonwealth countries, as well as with Zambia and Malaysia, is necessarily out of balance. India is another big Commonwealth supplier of raw materials—e.g. iron ore and manganese ore—now running an export surplus with Japan. Other parts of the Commonwealth run an import surplus, notably Hong Kong and Singapore. On the other hand Japanese trade with Britain, showing a very modest growth, has been not far out of balance after allowing for freight and insurance charges. Diverse industrial products from Japan include textiles, steel, radios, cameras, motor cars and motor cycles. Anti-dumping action was taken by Australia against Japanese cars in 1968. The major Japanese automobile makers have growing sales establishments in Canada also, and one is assembling locally, with the possibility of much larger operations and an eye to the whole north American market via the U.S.-Canada Auto Pact.

TABLE 10

EXPORTS FROM THE COMMONWEALTH TO JAPAN

£ million

	1964	1965	1966	1967	1968*a*
United Kingdom	60	53	69	87	98
Canada	110	105	131	189	234
Australia	188	176	210	249	333
New Zealand	17	19	33	34	36
India	46	41	48	61	83
Pakistan	9	9	9	13	23
Ceylon	3	3	3	3	4
Malaysia	68	69	81	88	106
Singapore	9	11	13	18	35
Hong Kong	20	24	27	32	40
Zambia	19	23	35	48	71
Other Commonwealth	22	21	30	31	41
Total	571	554	689	853	1,104

a Actuals, or annual rates based on latest data.

Aggregate exports from the Commonwealth to Japan, valued in dollars, increased by well over a tenth in 1968, but at only about half the percentage rate recorded in the two previous years when Japan was running into balance of payments difficulties. Gains were scored by the raw material supplying countries mentioned above, and by Ghana. The Canadian increase was much smaller than in 1967, but mining and mineral resources will not fail to be of prominent interest to Japanese firms because of the need for long term sources of supply. At least five Japanese companies were engaged in developing or prospecting for copper deposits in British Columbia in 1968, and there were two major schemes operated jointly by Japanese and Canadian interests for developing timber and pulp resources in the same Province.

TABLE 11

IMPORTS INTO THE COMMONWEALTH FROM JAPAN

£ million

	1964	1965	1966	1967	1968*a*
United Kingdom	75	78	77	91	115
Canada	58	76	84	101	137
Australia..	80	117	104	127	173
New Zealand	16	22	21	22	25
India	56	61	48	47	66
Pakistan	27	37	28	34	44
Ceylon	10	8	9	7	8
Malaysia	36	40	47	50	62
Singapore	42	49	54	64	89
Hong Kong	97	97	115	125	187
Ghana	7	7	7	7	7
Nigeria	31	26	14	19	9
Other Commonwealth	46	53	44	51	65
Total	581	671	652	745	987

a Actuals, or annual rates based on latest data.

The dollar value of total Commonwealth imports from Japan rose in 1968 at a rate almost half as high again as that in the previous year. Canadian and Australian imports advanced to levels about twice those of 1964, while those of Malaysia, Singapore and Hong Kong were not far behind on a proportionate basis. On the other hand several Commonwealth countries in Africa, among which Nigeria is the most noteworthy, are tending to take less from Japan, especially textiles. The import licensing system in Nigeria operates to favour domestic import substitution industries, such as cotton textile manufacturing based on the locally grown raw material. The same could be expected to happen in East Africa where cotton is a major crop. Indeed, in January 1969 Uganda banned all imports of cotton textiles from outside East Africa, along with textiles made from other materials having a landed value of less than 2s. 6d. (sterling) per square yard.

Considerable progress was made in 1968 towards the liberalisation of Japanese trade through a series of bilateral negotiations. As a result, import quotas on a number of manufactured products from several countries have been raised, and these include motor car engines and parts from the United States, and whisky, leather, cloth, wool and footwear from the United Kingdom. At the same time, Japanese export controls on certain products were eased. The Cabinet agreed in December 1968 to complete a programme of relaxation of import restrictions over the next two or three years.

Eastern Europe

The recorded value of exports from Commonwealth countries as a whole, to Eastern European countries, rose by 28 per cent in terms of sterling in 1968. This represented a rise of about a tenth in dollars. Three-quarters of this trade expansion was accounted for by the growth of exports from the United Kingdom and India. In the case of the former country, there was a sharp rise of nearly two-thirds in sterling sales to the Soviet Union in 1968, with machinery exports almost doubling and exports of textiles increasing by more than half. Deliveries of aircraft contributed to the growth of exports to Rumania, only partially offset by lower exports to Poland and East Germany. Since 1964, exports from Britain to Eastern Europe have expanded year by year, to reduce substantially the balance still existing in favour of the latter. In the case of India the trade with Eastern Europe has been held approximately in balance at a level of around £100 million annually between 1964 and 1967, but in 1968 there was a very considerable advance—by about 40 per cent in terms of sterling.

TABLE 12

EXPORTS FROM THE COMMONWEALTH TO EASTERN EUROPE

£ million

	1964	1965	1966	1967	1968*a*
United Kingdom	104	117	151	174	228
Canada	158	101	131	60	53
Australia..	59	43	25	23	27
New Zealand	4	3	8	4	5
India	99	99	99	95	134
Pakistan	5	6	13	17	22
Ceylon	11	13	11	8	9
Malaysia	22	32	34	27	38
Singapore	14	20	17	15	18
Ghana	10	18	16	13	9
Zambia	3	4	5	3	4
Malawi	—	—	—	—	—
Other Commonwealth	11	9	11	9	27
Total	500	465	521	448	574

a Actuals, or annual rates based on latest data.

Canada and Australia were prominent among the countries which recorded lower exports, or dollar values not much higher in 1968 than in 1967. Since 1964, which was the bumper year for wheat exports to Eastern Europe, Soviet requirements have tailed off, partly owing to better luck with the weather and partly owing to a reversal of the "virgin lands" agricultural policy in favour of more capital-intensive methods involving greater use of fertilizers and farm machinery.

On the side of imports the British total recorded a growth not much higher than would be expected as a direct result of devaluation of the currency, while the growth of bilateral trade with India, about which more is said in the study of that country's trade later in this report, has already been noted. The general growth of trade, both imports and exports, between Nigeria and Eastern Europe, and the decline in the trade of Ghana with these communist countries, are politically motivated.

TABLE 13

IMPORTS INTO THE COMMONWEALTH FROM EASTERN EUROPE

£ million

	1964	1965	1966	1967	1968*a*
United Kingdom	193	220	241	254	303
Canada	9	14	18	26	30
Australia..	6	10	6	6	9
India	102	104	93	99	130
Pakistan	7	13	17	21	37
Ceylon	12	13	15	12	12
Ghana	17	32	14	8	7
Nigeria	7	6	3	6	12
Cyprus	2	3	3	4	4
Other Commonwealth	15	17	18	21	27
Total	370	432	428	457	571

a Actuals, or annual rates based on latest data.

China

Total Commonwealth exports to China in 1968 showed a very small rise in terms of sterling and a substantial drop in terms of dollars. Australia and Canada continued to head the list of Commonwealth suppliers, the sterling value of grain shipments between them showing little change over the level established in previous years. These two countries leapfrog for first place, however, and it was Canada's turn in 1968 to take the lead. In March 1968 the Australian Wheat Board announced the sale of 1 million tons for shipment to China between then and September. The lower volume in the new contract—worth between $A50 and $A60 million depending on the grades shipped—reflected the reduced overall amount of wheat available. Australian sales of wheat to China since the first big contract was signed in December 1960 were then estimated to have been worth between $A800 and $A900 million, and in Janaury 1969 the Wheat Board announced sale of another 2·2 million tons valued at $A125 million. Canadian arrangements for 1968 wheat sales to China were concluded at talks in December 1967, when Canadian Wheat Board representatives agreed in Canton to the

TABLE 14

EXPORTS FROM THE COMMONWEALTH TO CHINA

£ million

	1964	1965	1966	1967	1968*a*
United Kingdom	18	26	34	39	29
Australia..	55	59	30	68	37
Canada	45	35	61	30	63
Pakistan	6	15	11	12	12
Ceylon	9	13	13	12	13
Singapore	—	3	16	11	11
Hong Kong	4	4	4	3	3
Other Commonwealth	11	16	11	15	26
Total	148	171	180	190	194

a Actuals, or annual rates based on latest data.

delivery of two million tons. A new agreement for 1969 was signed in November 1968, during the Autumn Canton Fair, for the sale of 1·45 million tons, to be shipped from December 1968 to July 1969, when the current three year agreement of intent between China and Canada expires. With the Autumn 1968 contract the 1966 agreement of intent—providing for sales of a minimum 168 million bushels to a maximum of 280 million bushels—had been honoured to the extent of 235 million bushels.

The fall of £9·4 million in British exports to China is largely explained by reference to a few major groups of commodities. Iron and steel went down by £6·8 million, of which £4·3 million was scrap, the export of which was prohibited. Plant and machinery fell £4·7 million as a result of China not having bought complete plant from abroad during the year. A fall of £2·3 million in transport equipment reflects delivery of two ships in 1967. The two textile groups showed exports down by £1·8 million in 1968, mainly in synthetics. Offsetting these decreases were rises of £4·5 million in diamonds and £3·2 million in non-ferrous metals.

TABLE 15

IMPORTS INTO THE COMMONWEALTH FROM CHINA

£ million

	1964	1965	1966	1967	1968*a*
United Kingdom	25	27	34	30	34
Canada	3	5	7	8	9
Australia..	8	9	9	10	12
Pakistan	6	7	10	12	13
Ceylon	15	9	16	14	19
Malaysia	26	27	28	31	33
Singapore	23	26	32	45	65
Hong Kong	123	145	173	143	167
Ghana	1	5	3	—	—
Nigeria	3	6	4	—	—
Other Commonwealth	4	7	12	10	13
Total	237	273	328	303	365

a Actuals, or annual rates based on latest data.

British imports from China in 1968, at £34·3 million, showed no appreciable change compared with 1967 when allowance has been made for the devaluation of sterling. The same applied to the imports of Hong Kong, the major outlet for Chinese goods in the Commonwealth, and to the totals for Commonwealth countries as a whole.

Summary

The year 1968 proved in the end to have been a substantially more favourable one for the world economy than had been expected. Aggregate national output in O.E.C.D. countries, the growth of which dominates the trade outlook for most market economies, recovered from 3 per cent in 1967 to a little over the previous average of 5 per cent in 1968. World trade, expansion of which for over a decade has consistently outstripped the growth of world production, rose exceptionally fast in the latter part of 1968: for the year as a whole, taking into account what appears to have been a slight drop in price averages for manufactures, it may well have been 12 per cent higher in volume than it had been in 1967. If so, the rise was the second biggest in value and the largest in volume since the period of the Korean war.

Against this background of rapid advance in world trade, Commonwealth exports naturally showed a vigorous expansion. However, owing partly to the short-term "accounting" effects of the devaluation of sterling at the end of the previous year, the Commonwealth share of the world total of exports moved down a shade—from 21·2 per cent in 1967 to 20·9 per cent in the following year.

Commonwealth exports rose from £12,015 million in 1964 to £18,202 million in 1968. Because of the "spillover" effects of the continuing boom in U.S. economic activity, a disproportionate amount of this increase was channelled

TABLE 16

TRADE OF THE COMMONWEALTH WITH MAIN TRADING AREAS

	1964	1965	1966	1967	1968*a*
			£ million		
Exports to:					
Commonwealth	3,871	3,958	3,900	3,826	4,430
United States	2,487	2,853	3,458	3,834	5,543
E.E.C.	1,800	1,875	1,991	1,886	2,370
EFTA (Continental)	708	767	848	873	1,025
Japan	571	554	689	853	1,104
Eastern Europe	500	465	521	448	574
China	148	171	180	190	194
Other countries	1,930	2,070	2,198	2,301	2,962
Total	12,015	12,713	13,785	14,211	18,202
Imports from:					
Commonwealth	4,103	4,210	4,083	4,059	4,758
United States	3,456	3,805	4,215	4,717	5,995
E.E.C.	1,704	1,924	2,009	2,223	2,693
EFTA (Continental)	831	899	953	1,068	1,305
Japan	581	671	652	745	987
Eastern Europe	370	432	428	457	571
China	237	273	328	303	365
Other countries	2,423	2,371	2,472	2,732	3,434
Total	13,705	14,585	15,140	16,304	20,108
			Percentage of total trade		
Exports to:					
Commonwealth	32	31	28	27	24
United States	21	22	25	27	30
E.E.C.	15	15	14	13	13
EFTA (Continental)	6	6	6	6	6
Japan	5	4	5	6	6
Eastern Europe	4	4	4	3	3
China	1	1	1	1	1
Other countries	16	17	17	17	17
Total	100	100	100	100	100
Imports from:					
Commonwealth	30	29	27	25	24
United States	25	26	28	29	30
E.E.C.	12	13	13	14	13
EFTA (Continental)	6	6	6	7	6
Japan	4	5	4	5	5
Eastern Europe	3	3	3	3	3
China	2	2	2	2	2
Other countries	18	16	17	15	17
Total	100	100	100	100	100

a Actuals, or annual rates based on the latest data.

into that country. So far in the 1960's the U.S. economy has almost completed its own "development decade" with a run of unparalleled prosperity, and its effects on the orientation of Commonwealth trade have inevitably been heightened by the close ties with Canada, made closer by the arrangements relating to North American automotive production, "defence" production and petroleum oil and gas production and distribution. The result has been to raise the U.S. share of Commonwealth exports, at the "expense" of intra-Commonwealth trade, to 30 per cent in 1968, from 27 per cent in the preceding year and 21 per cent in 1964, as shown in Table 16.

At this level, the United States appears to have taken a commanding lead among the main trading areas for all Commonwealth countries combined. Only for Canada, Hong Kong, Jamaica, and Trinidad and Tobago, do exports to the United States exceed exports to the Commonwealth as a whole. But for another group of countries (Britain, Pakistan, Uganda and Guyana) sales to the United States are greater than the value of exports to any other single country, while for two others (India and Ghana) they vie for first place with exports to Britain—the trend favouring the United States.

The European Economic Community provided markets for 13 per cent of the total exports of Commonwealth countries in 1968, compared with 15 per cent in 1964, as shown in Table 16. These figures, and the corresponding shares of Commonwealth imports from the E.E.C., defy easy generalisation. A more detailed analysis of the trade of individual Commonwealth countries follows in Part II of this report.

Among the other main trading areas enumerated in Table 16, only in the case of Japan does there seem to have been a persistent tendency for the share of Commonwealth exports to exceed the import share, mainly owing to the importance of a number of Commonwealth countries as sources of raw materials feeding the expansion of Japanese industry. This applies particularly to Australia as a source of wool, coal and iron ore, as well as other commodities.

In the case of China, there appears to be a tendency for the Commonwealth to run a persistent import surplus. This is accounted for partly by the food imports of Hong Kong, China's gateway to the West. Trade between several Commonwealth countries and Eastern Europe is kept in balance by the system of clearing accounts in use, but the major Commonwealth commodity sales to the Soviet Union—wheat and rubber—are made for hard currency. Between 1964 and 1968 wheat sales from Canada and Australia to the Soviet Union have declined markedly, while there has been a steady liberalization of trade between Britain and Eastern Europe, and a move towards limited offset facilities for rupee balances arising out of trade between India and Eastern Europe.

PART II

The Trade of Commonwealth Countries

UNITED KINGDOM

United Kingdom visible trade in 1968 showed the initial effects of the devaluation of sterling on 18 November 1967. The rapid growth of world trade contributed to the strong expansion of exports, and a substantial rise in home activity played an important part in raising the volume of imports. On a balance of payments basis, with exports and imports both valued f.o.b., the visible trade deficit rose to £687 million in 1968 from £537 million in the preceding year, and £95 million in 1966. The main single element of the deterioration between 1967 and 1968 was the adverse movement in the terms of trade following devaluation.

Exports from the United Kingdom

	Value (*f.o.b.*) £ million			Index numbers	
	Total exports	*Domestic exports*	*Re-exports*	Volume	Unit Value
1964 ..	4,565	4,412	153	100	100
1965 ..	4,901	4,728	173	105	102
1966 ..	5,241	5,047	194	109	106
1967 ..	5,214	5,029	185	107	108
1968 ..	6,394	6,176	218	123	116

Exports responded to the first effects of devaluation and the higher level of international trade with a substantial rise of nearly 23 per cent in terms of sterling and of 14 per cent in volume compared with 1967. Some of the increase was the result of shipments delayed towards the end of 1967 by the dock strikes in Liverpool and London. In the early months of 1968 the underlying growth of exports was masked by this carry-over, which had probably ceased to influence the figures by mid-year, and exports grew very strongly in both value and volume during the second half of 1968. By December 1968 export prices had risen 9 per cent in sterling (equivalent to a fall of 6 per cent in dollars) above their level in October 1967, the last complete month before devaluation. It was officially held that by the second half of the year devaluation was beginning to play a significant part in the strong growth in the volume of exports.

Exports from the United Kingdom

£ million

	Fuels and lubricants	*Chemicals*	*Textiles (including wool tops)*	*Metals and metal manufactures*	*Machinery other than electric*	*Electric machinery and apparatus*	*Road vehicles and parts*	*Other manufactures*
1964 ..	139	412	311	496	862	315	539	796
1965 ..	133	442	303	558	932	331	566	866
1966 ..	134	469	290	562	1,044	345	576	1,021
1967 ..	129	492	273	591	1,036	345	523	1,035
1968 ..	166	599	323	721	1,269	409	660	1,321

The rises in value and volume of United Kingdom exports were achieved against a background of fast growth in world trade. It was estimated that the value of exports of manufactured goods from the twelve main manufacturing countries of the world increased by about 14 to 15 per cent between 1967 and

1968; the average annual rate of growth in the previous decade had been about 9½ per cent. Exports to all main areas in 1968 were substantially higher in sterling value than in 1967, with particularly strong increases to the United States, Latin America, the Soviet Union and Eastern Europe. Sales to the United States increased by nearly 43 per cent, or by 21 per cent in dollars, reflecting the increase in economic activity and demand for imports in that country. There was a strong growth in exports to E.E.C. countries after the hesitation of the previous year, and a less marked expansion of exports to the countries of continental EFTA. A recovery in demand for imports in the E.E.C., begun at the end of 1967,

TABLE 17

EXPORTS FROM THE UNITED KINGDOM

£ million

	1964	1965	1966	1967	1968
Canada	194	208	224	220	266
Australia	259	284	258	256	315
New Zealand	118	126	128	100	104
India	130	116	97	83	73
Pakistan	45	52	53	51	47
Ceylon	20	19	23	21	23
Malaysia	86	94	51	43	48
Singapore			40	36	41
Ghana	36	41	31	31	33
Nigeria	71	73	67	59	59
Malawi	*a*	4	6	6	7
Zambia	*a*	15	26	26	36
Kenya	33	35	44	48	47
Jamaica	24	24	24	24	29
Trinidad & Tobago	25	25	24	20	24
Hong Kong	58	66	66	62	78
Other Commonwealth	150	153	135	133	160
Irish Republic	175	186	189	197	273
South Africa	239	265	247	261	265
United States	429	521	652	639	909
Belgium	167	175	187	184	243
France	203	193	213	218	253
West Germany	248	285	289	277	363
Italy	140	123	148	158	178
Netherlands	204	203	207	206	256
Denmark	119	127	137	146	163
Norway	88	88	109	130	127
Sweden	204	226	236	225	263
Switzerland	92	95	111	117	136
Spain	69	86	102	92	99
Finland	66	73	77	73	80
Soviet Union	40	47	50	64	104
China	18	26	34	39	29
Japan	60	53	69	87	98
Argentina	28	27	23	25	34
Venezuela	23	25	24	22	33
Other countries	704	742	840	835	1,098
Total all countries	4,565	4,901	5,241	5,214	6,394
Of which:					
Commonwealth	1,249	1,335	1,297	1,219	1,390
E.E.C.	963	982	1,045	1,042	1,291
EFTA (Continental)	575	613	684	706	803
Eastern Europe	104	117	151	174	228

a Included in "Other Commonwealth".

continued strongly throughout 1968, so that the value of United Kingdom exports to the Community was 24 per cent higher than in 1967: about two-thirds of this represented an increase in volume. By the middle of 1968 exports to E.F.T.A. countries rose sharply so that the annual rate of increase was 13 per cent, and probably about half of this reflected higher prices. Deliveries to Canada rose less spectacularly than those to the United States, while those to the rest of the Commonwealth were considerably distorted by the effect of the dock strikes, and much of the year-on-year increase was due to the effect of delays. There were, however, signs of renewed growth in the second half of 1968. Exports to Latin America and to Eastern Europe grew strongly at the beginning of 1968 and maintained these levels with a further increase in the fourth quarter: much of the increase was made up of the higher volume of exports.

All major categories of exports contributed to the 43 per cent increase in exports to the United States. One important factor was the high level of deliveries of aircraft engines to be incorporated in military aircraft being purchased by the United Kingdom. The increase in exports excluding these engines was 37 per cent. About half of total whisky exports from the United Kingdom go to the United States: in 1967 these stood at £64 million and rose to over £93 million in 1968. Anticipatory stock-building of whisky in the United States, against the threatened dock strikes, contributed to the sharp increase in total exports in the middle of the year. The value of shipments of iron and steel and non-ferrous metals went up by 71 per cent and 55 per cent respectively, while diamond exports rose by £20 million to £75 million in the year. Sales of machinery increased by nearly 60 per cent, about two-thirds of this being on account of the high deliveries of aircraft engines. Sales of cars to the United States began to rise in the middle of the year and achieved a 33 per cent increase by the end of the year, compared with 1967.

In the case of the E.E.C. the upturn in the German economy was an important factor in the renewed growth of activity and there were increases in the value of exports over a fairly wide range of commodities, although exports of food and live animals fell, partly as a result of the foot and mouth epidemic in Britain and partly because of the operation of the E.E.C. levy system. Deliveries of road motor vehicles increased by over a half. Exports to West Germany rose by just under a third with sales of ships and aircraft playing an important part in the increase. The rise in exports to Belgium was largely accounted for by sales of diamonds marked up in terms of sterling. The rises in exports to France and Italy took place mainly in the second half of the year; in France this was mainly in contrast to lower exports owing to domestic events in the first half, while in Italy there was a general renewal of growth in demand for imports after the middle of 1968. A similar pattern emerged in exports to EFTA countries which rose much more strongly in the second half of the year. The large increase in exports to Austria was made up to a great extent of increases in road motor vehicles, while ships accounted for the decline in the value of clearances for Norway. There was a very steep rise, of over 60 per cent, in sales to the Soviet Union, with machinery almost doubling and exports of textiles increasing by more than a half. Sales of aircraft contributed to the increase of more than 200 per cent in exports to Rumania, but these rises were partially offset by lower exports to Poland and East Germany.

Exports to Commonwealth countries as a whole rose by 14 per cent in sterling, a decline of 2 per cent in dollars, and their share of total U.K. exports to all destinations fell by 1·6 percentage points in 1968. Sales to Canada were 21 per cent higher in sterling. There was a strong growth—about 77 per cent—in exports of road motor vehicles and, in the first and last quarters of 1968, of ships, a movement which tended to distort the figures, but it seems that there was an underlying upward trend in sales to this market in the latter part of 1968.

As the effects of carry-over shipments from the dock strikes at the end of 1967 diminished, exports to the rest of the Commonwealth declined. There was probably a modest underlying growth in the value of exports to the area for the whole year, but it is unlikely that there was a significant increase in volume between the two years. Exports to Australia were about a quarter higher than in 1967 and this was partly due to increased valuation in sterling prices. The increases were spread widely over many categories. Exports to New Zealand showed only a small increase but renewed growth emerged towards the end of the year. Exports to both India and Pakistan declined, there being a sharp fall in exports of fertilizers to the former country.

Imports into the United Kingdom

	Value (c.i.f.) £ million	*Index numbers* Volume	Unit Value
1964 ..	5,696	100	100
1965 ..	5,751	101	100
1966 ..	5,947	103	102
1967 ..	6,434	110	102
1968 ..	7,899	120	113

The value of imports also increased very rapidly in 1968, at a rate similar to that for exports. They reached a peak in October and then declined. Their value in the fourth quarter was much the same as in the third, confirming earlier impressions that the rising trend had at last levelled out. The value increased very rapidly in the early months of the year when prices were rising due to devaluation, and the volume of imports was reflecting the rise in pre-Budget spending and some carry-over from the end of 1967. Although consumption fell back in the second quarter, economic activity in general continued above the average level of 1967 and increased again in the third quarter. The volume of imports continued more or less at the higher level reached early in the year apart from a dip at the mid-year point probably due mainly to the French disturbances, and a delay to imports affected by the Kennedy Round tariff cuts which came into effect at the beginning of July. Import prices increased by $11\frac{1}{2}$ per cent between 1967 and 1968, mainly due to devaluation, and total imports for the year were just over 9 per cent higher by volume than in 1967. A small part of the increase arose from imports delayed by strikes in 1967 and part was due to high imports of silver and precious stones for reasons largely unconnected with the level of home demand. In addition a substantial rise in the volume of imports was to be expected from the rise in home activity, although the higher prices due to devaluation had the effect of restraining certain classes of imports.

Imports into the United Kingdom

£ million

	Food	*Beverages and tobacco*	*Basic materials and base metals*	*Petroleum and petroleum products*	*Machinery and transport equipment*	*Other manufactures*
1964 ..	1,622	149	1,522	584	545	1,121
1965 ..	1,571	137	1,554	609	606	1,202
1966 ..	1,572	139	1,569	625	681	1,281
1967 ..	1,609	154	1,512	729	868	1,476
1968 ..	1,711	193	1,932	905	1,189	1,862

All categories of imports showed value rises over the year. Arrivals of food, beverages and tobacco were very high in the first quarter but fell in the second; for the year as a whole they were 8 per cent up on the 1967 level. The high value of arrivals in the first quarter reflected the carry-over from the dock strikes and also the changed pattern of tobacco supply with the loss of Rhodesian sources, as well as greater cost of meat imports following an outbreak of foot and mouth disease which reduced home supplies and led to a temporary ban on imports from South America. Imports of basic materials rose by 20 per cent, about half of which was due to price increases and half to an increase in volume. The large increase in the value of non-ferrous metals from £380 million to £568 million

TABLE 18

IMPORTS INTO THE UNITED KINGDOM

£ million

	1964	1965	1966	1967	1968
Canada	458	458	425	456	513
Australia	251	219	208	174	211
New Zealand	208	208	187	186	197
India	141	128	119	126	135
Pakistan	27	27	32	33	41
Ceylon	42	42	36	40	40
Malaysia	53	49	32	28	36
Singapore			16	18	26
Ghana	19	17	18	24	35
Nigeria	88	113	113	79	70
Malawi	*a*	7	9	9	11
Zambia	*a*	76	80	71	90
Jamaica	30	28	29	29	26
Trinidad & Tobago	36	24	22	23	23
Hong Kong	81	70	81	90	115
Other Commonwealth	272	207	183	188	223
Irish Republic	179	170	186	224	268
South Africa	183	181	191	220	271
United States	651	672	723	812	1,063
Belgium	112	123	132	146	175
France	187	191	212	255	312
West Germany	270	265	302	339	437
Italy	133	145	166	195	236
Netherlands	239	271	291	329	407
Denmark	187	195	206	217	239
Norway	100	106	120	127	162
Sweden	209	215	217	247	314
Switzerland	76	85	98	121	151
Finland	116	116	123	130	161
Soviet Union	97	119	125	123	158
Spain	60	57	62	74	99
Kuwait	124	89	93	74	141
Iran	40	41	38	137	91
Iraq	80	70	66	24	26
China	25	27	34	30	34
Japan	75	78	77	91	115
Argentina	78	71	71	72	52
Brazil	30	28	32	27	38
Venezuela	74	73	58	68	73
Other countries	665	690	734	778	1,084
Total all countries	5,696	5,751	5,947	6,434	7,899
Of which:					
Commonwealth	1,706	1,673	1,590	1,574	1,792
E.E.C.	941	995	1,104	1,264	1,567
EFTA (Continental)	630	665	716	811	999
Eastern Europe	193	220	241	254	303

a Included in "Other Commonwealth".

reflected higher copper prices, and greater inward clearances of silver bullion—much representing purchases on behalf of non-residents. Imports of petroleum and petroleum products increased by about a quarter; the volume increase was about 6 per cent, prices being some 17 per cent higher. This price rise reflected not only the increase resulting from devaluation but also changes in the f.o.b. price and in the freight cost throughout the year. Imports of chemicals were £87 million higher, or 26 per cent, prices being about 10 per cent higher than in 1967 while volume went up by 14 per cent. Imports of finished manufactures, excluding United States military aircraft, were £308 million, or 26 per cent, higher than in 1967. Prices rose by some 14 per cent, and volume by about 11 per cent.

In the area pattern of trade, an increase of 27 per cent in imports from the sterling area was due mainly to the increased availability of oil imports from Kuwait and Libya in 1968. Imports from Western Europe and North America were each 24 per cent higher, reflecting the growth in imports of semi- and finished manufactures; the American figure also reflects a drop in oil imports from the United States as normal sources of supply became available again.

Imports from the United States increased by nearly a third. Manufactured goods from this source went up by about a fifth over the 1967 level, electric and non-electric machinery contributing substantially to the rise. Tobacco imports also increased, with devaluation putting up prices and a volume expansion of 24 per cent reflecting the continued loss of Rhodesian supplies. Imports from both the E.E.C. and EFTA were high at the turn of 1967/68, with devaluation lifting prices and pre-Budget demand also leading to a greater volume of imports. In addition there were very high imports of diamonds. Although there was some easing back in the second quarter, due partly to a holding off of imports to take advantage of the Kennedy Round tariff cuts effective on 1 July, and partly to the French disturbances in June. Imports from these areas continued to grow strongly during the remainder of the year. The increase by volume in imports from the Soviet Union and Eastern Europe was probably little different from recent years and the rise recorded for value owed much to higher prices. In Latin America, imports from Venezuela continued to rise though not as spectacularly as in 1967 after the closing of the Suez Canal, while those from Brazil increased by 40 per cent with major contributions coming from meat, coffee and timber. Imports from both Libya and Kuwait were just about doubled, due to increased oil purchases, whereas oil imports from Iran fell sharply, although still well above their 1966 level.

Imports from the Commonwealth rose by 14 per cent. Those from Canada went up by 12 per cent with a strong growth, as previously mentioned, in imports of semi- and finished manufactures. Imports from both Australia and New Zealand increased partly due to a large growth in mutton and lamb shipments, although butter shipments from these sources fell. A large part of the rise in imports from Hong Kong was in clothing and footwear. The reduction in imports from Nigeria was again due mainly to a fall in oil supplies, while the reduction in imports from Jamaica was due mainly to a decline in purchases of rum and bananas.

United Kingdom

	Balance of merchandise trade	*Terms of trade*
	£ million	
1964 ..	−1,131	100
1965 ..	+ 850	103
1966 ..	+ 705	104
1967 ..	−1,221	106
1968 ..	−1,505	103

CANADA

Despite external difficulties at the commencement of the year and restrictive budgetary measures in March, which included a temporary 3 per cent income tax surcharge on individuals and corporations, higher excise taxes and accelerated corporate tax payments, G.N.P. in 1968 increased by close on 8 per cent and national output in real terms by no less than 4 per cent. The measures taken in March may have had some restrictive effect but consumers' expenditure rose relatively fast, influenced by higher employment and wages and some fall in the savings ratio. Total industrial output was 4·5 per cent higher in 1968 compared with the preceding year, and manufacturing showed a gain of over 4 per cent, the main impetus in the Canadian economy emanating from the growth of sales in foreign markets.

In January 1969 the Trade and Commerce Minister stated that the growth of Canadian exports during 1968 has been "in absolute terms the largest ever achieved and in percentage terms the largest of the past 17 years". The value of exports was recorded at $13,574 million—an increase of over $2,100 million or 19 per cent on the 1967 total of $11,411 million. Exports to the United States rose by over a quarter to $9,218 million from $7,350 million in the previous year.

Canada

$ million

	Exports (f.o.b.)	*Imports (f.o.b.)*	*Balance of merchandise trade*
1964	8,304	7,441	+ 863
1965	8,767	8,633	+ 134
1966	10,325	9,866	+ 459
1967	11,411	11,081	+ 330
1968	13,574	12,344	+ 1,230

Index numbers

	Exports		*Imports*		
	Volume	Price	Volume	Price	*Terms of Trade*
1964	100·0	100·0	100·0	100·0	100·0
1965	101·3	103·9	100·0	115·3	90·1
1966	105·5	117·9	101·3	132·7	88·8
1967	107·7	127·4	102·3	142·0	89·7
1968	111·2	145·5	104·2	156·7	92·9

In the first nine months of 1968 there was a change of $477 million in the current account balance compared with the previous year as the 1967 deficit of $412 million swung to a surplus of $65 million. The terms of trade were slightly better with the unit value of exports up by about 3 per cent while average import prices were just over 2 per cent higher. Trans-border transactions accounted for 85 per cent and for 74 per cent of the increase in Canadian merchandise exports and imports respectively, and the decreased deficit in current account transactions as a whole with the United States accounted for over 90 per cent of this change. Capital account movements, however, went from a $401 million inflow in 1967 to a $50 million outflow in 1968 while there was a swing in official net monetary assets of $26 million, from a decline of $11 million in the first three quarters of 1967 to an increase of $15 million in the corresponding period of 1968.

Increases in exports of automotive products amounting to $908 million accounted for some 40 per cent of the growth of merchandise exports in 1968. The U.S.—Canada Auto Pact was recently renegotiated on terms that remained favourable to Canada. Other important increases in exports occurred in copper

Exports from Canada
$ million

	Wheat and flour	Other grains	Newsprint	Wood, timber and pulp	Crude petroleum	Iron ore	Non-ferrous metals and ores	Road motor vehicles, engines and other parts
1964	1,124	74	835	1,038	262	356	1,269	177
1965	904	68	870	1,046	280	361	1,449	353
1966	1,142	72	968	1,032	322	369	1,547	993
1967	795	101	955	1,087	398	383	1,709	1,730
1968	742	55	990	1,338	446	443	2,056	2,638

ores and alloys, due in large measure to a prolonged strike in U.S. copper mines. In the iron and steel groups the advance of exports was influenced by stock-piling of steel by United States users in anticipation of a strike in the steel industry. In wood pulp, lumber and sawmill products there were rises totalling about $250 million. Exports of nickel in ores and alloys were higher as were exports of aircraft, engines and parts. Clearances of wheat, which fell by approximately $50 million, were influenced by lower shipments to India, Pakistan, the Soviet Union, Japan, South Africa and the United Kingdom. However, sales of wheat to China rose by over $50 million. There was an increase in exports of some other food products and a reduction in exports of agricultural machinery.

TABLE 19

EXPORTS FROM CANADA

$ million

	1964	1965	1966	1967	1968
United Kingdom	1,207	1,185	1,132	1,178	1,226
Australia..	150	144	119	161	191
New Zealand	34	37	42	41	33
India	65	60	108	142	113
Pakistan	20	22	26	34	30
Jamaica	29	31	34	40	35
Trinidad & Tobago	18	22	24	20	16
Other Commonwealth Caribbean	32	31	46	50	50
Other Commonwealth	70	71	67	70	57
South Africa	70	78	76	79	70
United States	4,454	5,050	6,254	7,350	9,218
Belgium	102	129	119	103	129
France	81	90	87	84	84
West Germany	217	193	180	181	232
Italy	63	95	116	143	133
Netherlands	102	129	144	178	185
Norway	68	83	108	89	118
Japan	332	317	395	572	608
China	136	105	185	91	163
Venezuela	65	74	77	82	103
Soviet Union	316	198	321	129	89
Other countries	673	623	665	594	691
Total all countries.. ..	8,304	8,767	10,325	11,411	13,574
Of which:					
Commonwealth	1,625	1,603	1,598	1,736	1,751
E.E.C.	566	636	645	689	763
EFTA (Continental) ..	151	167	206	175	211
Eastern Europe	477	305	395	181	137

Exports to the United States rose by over a quarter in 1968 to make up almost 70 per cent of the value of shipments to all destinations, compared with 64 per cent in 1967. Exports to the United Kingdom, Canada's second largest market, also grew but at the much lower rate of 4 per cent. Small rises in exports to this market occurred in cheddar cheese and tobacco, while major gains were scored by non-ferrous metals and newsprint paper; but these rises were offset to a great extent by substantial reductions in sales of lumber and cereals. Exports to Australia grew by about a fifth with increases registered in automotive products and newsprint, but those to New Zealand declined by about the same proportion. Exports to the E.E.C. rose by 11 per cent with increases in non-ferrous metals, wood pulp, and copper manufactures contributing towards the rise. An increase of over a fifth in exports to the continental EFTA countries was made up of rises in copper ore and other non-ferrous metals, and copper manufactures, among other things. Exports to the Soviet Union fell by almost a third, most of the fall coming in reduced sales of wheat. Rises in sales of copper ore, lumber and wood pulp contributed to the 6 per cent rise in exports to Japan while a sharp rise in wheat sales accounted for higher exports to China.

Imports into Canada

$ million

		Food	*Basic materials and base metals*	*Mineral fuels, lubricants, gas and electricity*	*Machinery*	*Transport equipment*	*Other manufactures*
1964	..	732	1,112	550	1,885	889	2,048
1965	..	700	1,279	626	2,180	1,240	2,282
1966	..	729	1,294	636	2,655	1,665	2,500
1967	..	822	1,205	710	2,497	2,657	2,857
Jan.-Nov.							
1967	..	739	1,104	646	2,355	2,412	2,788
1968	..	773	1,127	691	2,337	3,249	2,983

On a Customs clearance basis imports rose by 11 per cent in 1968 compared with the previous year, automotive products accounting for much the greater part of the increase. Deliveries of aircraft and parts made up some of the increase in the value of recorded imports, but their effect on the merchandise trade item of the balance of payments was partly offset by the earlier inclusion of related progress payments. There was also a rise in imports of crude petroleum and fuel oil and in imports of aluminium, precious metals, machinery and wearing apparel. Important reductions occurred in imports of iron and steel and agricultural machinery.

On a geographical basis, imports from the United States rose by 13 per cent in 1968, so that this country's share of the Canadian market stood at 73·2 per cent, a gain of just under one per cent on the preceding year. Big increases occurred in the automobile category due, as on the export side, to the Automotive Agreement. While imports of automotive products still exceeded exports, the deficit incurred in 1968 was the smallest in many years. Falls were registered in bulldozing equipment, in metal working machine tools and in combine reaper-threshers. A 3 per cent increase occurred in imports from the United Kingdom. Imports from Nigeria declined by well over half, mainly because of lower imports of crude petroleum. Imports from the E.E.C. were slightly up on 1967 with increased imports (especially automobiles) from West Germany. Imports from Eastern Europe including the Soviet Union ran at a similar level to that of 1967, while imports from Japan increased by a sixth with small rises in automobiles and electrical equipment.

TABLE 20

IMPORTS INTO CANADA

$ million

	1964	1965	1966	1967	1968
United Kingdom	572	619	645	673	694
Australia	60	47	60	64	77
New Zealand	14	15	15	15	19
India	36	43	40	43	39
Ceylon	13	14	10	12	10
Malaysia	34	40	29	22	27
Singapore			12	11	16
Jamaica	48	36	37	32	35
Trinidad & Tobago	21	17	16	19	20
Other Commonwealth Caribbean	43	29	36	39	39
Other Commonwealth	102	93	124	132	114
United States	5,128	6,048	7,140	8,028	9,039
Belgium	59	72	62	65	56
France	68	96	107	130	121
West Germany	170	210	235	257	300
Italy	67	80	87	110	116
Netherlands	40	56	60	65	70
Japan	174	230	253	305	356
Venezuela	271	255	215	276	358
Other countries	521	633	683	783	838
Total all countries	7,441	8,633	9,866	11,081	12,344
Of which:					
Commonwealth	943	953	1,024	1,062	1,090
E.E.C	404	514	551	627	663
EFTA (Continental)	137	177	209	237	243
Eastern Europe	27	42	54	79	77

AUSTRALIA

Because of the effects of a severe drought in the south-east of the country, the growth of the Australian economy was slower in 1967–68 than in the previous year and real G.N.P. rose by an estimated 3·7 per cent, compared with 5·8 per cent in 1966–67. Output in the rural sector fell by about 11 per cent, the wheat crop being only some three-fifths the size of that of the previous year and whole milk production declining by around 7 per cent. With a fall in farm prices averaging about 5 per cent, income from the agricultural sector dropped by around a third. Industrial production, by contrast, rose faster than in 1966–67 in response to an acceleration in all major categories of expenditure. This buoyancy owed much to government expenditures, which grew more rapidly than private spending for the fifth successive year, with defence outlays continuing to play a dominant role. Other significant growth factors included a quickening in personal consumption throughout the year and a recovery in private fixed capital expenditure in the first half.

Principally because of the drought and lower agricultural prices exports were rather sluggish during 1967–68, whereas imports were at a much higher level, largely because of the high foreign content of defence expenditure. The result was to convert a small surplus on the trade account in 1966–67 to a substantial deficit in the following year. The deficit on the invisible sector of the current account rose strongly in the first half of the year but fell somewhat in the second half. There were large increases in freight payments, reflecting greater imports and the closure of the Suez Canal, and in income payable overseas. The overall result was a sharp deterioration in the current account balance in the first three-quarters of the year but some improvement in the last quarter, though the deficit was still running at an annual rate of over $A1,100 million, the highest rate for sixteen years.

Balance of payments summary

($A million)

Year	*Exports (fob)*	*Imports (fob)*	*Balance of Trade*	*Invisibles (net)*	*Balance on Current Account*	*Balance on Capital Account*	*Official monetary movements (net)*
1965–66 ..	2,626	2,822	−196	−691	−887	+948	+61
1966–67 ..	2,926	2,837	+89	−743	−654	+534	−120
1967–68 ..	2,944	3,182	−238	−843	−1,081	+1,159	+78

To cover this deficit the inflow of capital reached unprecedented heights. This was principally accounted for by a rise of $A392 million to $A1,035 million in private capital inflow, much of which was portfolio investment associated with a succession of important mineral discoveries; official transactions also made an important contribution, however, through the successful floating of loans abroad, while a change in statistical procedure was of significance (see below). The net result was a favourable monetary movement of $A78 million, compared with an adverse movement of $A120 million in 1966–67. As the great bulk of this was reflected in an improvement in the Australian position in the I.M.F., and not in first line gold and foreign exchange holdings, which devaluation of sterling had depleted by $A113 million, the value of the country's reserves on 30th June 1968, at $A1,092 million, was $A106 million below the level of that of the previous year. Automatic drawing rights on the I.M.F. rose in value from $A624 million to $A695 million. In future the degree of dependence on external finance should be moderate if institutions such as the Australian Resources Development Bank, which started operations during 1967–68, make a significant contribution towards mobilizing new domestic savings.

The small rise in Australian exports in 1967–68, of less than one per cent, was compounded of a fall in the value of agricultural products and a more than offsetting rise in other exports, particularly minerals. Exports of wool, still by far the largest earner of foreign exchange, declined substantially as a result of the sharp drop in prices in the first half of the year which caused average quotations for 1967–68 to fall some 13 per cent below those obtaining during 1966–67. The volume of wool exported, by contrast, rose 3 per cent. Among other agricultural products, receipts from meat exports were unchanged as higher sales of mutton and lamb were offset by lower values for offals and canned meat, while beef and veal, the chief component of the group, remained static. The drought had an appreciable effect on exports of dairy produce, however, with shipments of butter and milk falling both in volume and price, though receipts from cheese advanced as the quantity exported reached a record level following the raising from July 1967 of the bounty paid on domestic production of milk for cheese. The decline in proceeds from wheat exports was due to the steady fall in prices during the first half of the year, as in spite of the poor crop volumes were maintained by running down stocks. A similar situation obtained for hides and skins, receipts from which fell sharply as prices slumped while volumes were stable. The slightly lower level of sugar exports, by contrast, was caused by a decline in volume rather than in prices. The one really buoyant feature of Australian exports remained that of iron ore, though smaller contributions to growth continued to be made by most of the non-ferrous ores and some of the metals, as well as by coal; exports of iron and steel, however, were cut by the strength of domestic demand. In total the share of the mining industry in

Australian exports rose to about 15 per cent in 1967–68, compared with less than 12 per cent in 1966–67, while the proportion was officially forecast to rise to about 20 per cent by 1972–73. The growth in exports of manufactured goods slackened during the year although the chemicals sector was buoyant, chiefly reflecting substantially higher shipments of alumina associated with an increase in bauxite processing facilities.

Exports from Australia

$A million

	Meat	*Butter*	*Wheat and flour*	*Sugar*	*Wool*	*Hides and skins*	*Fruit*	*Non-ferrous ores and metals*	*Iron and steel*	*Iron ore*
1964–65 ..	286	67	336	114	806	80	82	194	62	1
1965–66 ..	288	58	291	95	785	89	104	273	73	3
1966–67 ..	279	65	385	103	807	89	100	236	111	46
1967–68 ..	279	47	368	101	717	64	111	277	92	100
July–Dec.										
1967	146	31	217	66	336	35	44	132	47	43
1968	146	27	128	90	368	39	42	162	56	80

TABLE 21

EXPORTS FROM AUSTRALIA *a*

$A million

	1964–65	1965–66	1966–67	1967–68	July–Dec. 1967	July–Dec. 1968
United Kingdom	508	466	398	414	200	215
Canada	40	43	50	52	26	36
New Zealand	152	164	166	147	85	86
India	55	27	57	65	44	16
Malaysia	81 (Malaysia and Singapore)	47*c*	46	46	27	35
Singapore		31	49	53	29	29
Hong Kong	51	33	36	43	30	34
Pacific Territories *b* ..	84	51	79	81	59	59
Other Commonwealth ..	63	98	115	104	42	37
United States	257	330	338	388	200	245
Belgium	59	51	56	47	25	21
France	111	118	99	88	45	54
West Germany	84	100	75	90	45	52
Italy	85	110	126	87	39	44
Poland	14	17	19	20	12	13
Soviet Union	76	48	20	27	13	20
China	136	107	129	126	76	30
Japan	440	470	585	641	312	384
South Africa	24	22	42	28	14	23
Other countries	257	301	382	353	137	126
Total all countries ..	2,577	2,634	2,867	2,900	1,459	1,559
Of which:						
Commonwealth ..	1,034	960	996	1,005	542	547
E.E.C.	357	416	392	346	170	194
EFTA (Continental) ..	25	25	28	26	13	11
Eastern Europe.. ..	109	77	54	64	32	27

a Years ended June 30th.

b Australian overseas territories and British islands in the Pacific.

c Includes Singapore up to 30th September 1965.

A market analysis showed that higher exports to the three biggest individual destinations, Japan, the United Kingdom and the United States, slightly more than counterbalanced a decline in those to the E.E.C., New Zealand and China. The continued sharp rise in exports to Japan reflected an acceleration in the sales of minerals, particularly iron ore and, to a less extent, coal, and higher shipments of wheat and meat; this more than outweighed substantially lower receipts from wool. Exports to the United Kingdom only partly recovered from their steep two-year decline as increases in the value of shipments of wheat, together with most of the non-ferrous metals and ores (particularly lead metal), were offset by lower values for beef, butter, sugar and wool. Lower exports to New Zealand resulted from smaller sales of most manufactures, notably motor vehicles, associated with the economic problems experienced by that country. A strong rise in shipments of alumina was the main point in the considerable increase in exports to the United States, though higher receipts from meat and fish were also important factors, more than offsetting declines registered by wool, iron and steel and several non-ferrous ores and metals. Exports to the E.E.C. fell for the second successive year, as a partial recovery in sales to West Germany was insufficient to counteract a slump in those to France, Belgium and, especially, Italy, the principal element in which was the fall in receipts from wool. Among other major items exports of hides and skins were depressed by a sharp drop in sales of sheepskins to France, and to a less extent to Italy, while there was a more general decline in exports of iron and steel and non-ferrous metals. The fall in the value of the total, however, was moderated by higher receipts from shipments of wheat and iron ore. Among the centrally planned economies the small decline in exports to China resulted from a sharp drop in iron and steel exports, and wool, which were not fully offset by an increase in sales of wheat: in 1967–68 the last-mentioned had accounted for practically the entire total. In Eastern Europe exports to the Soviet Union and Poland increased as a result of higher wool shipments. Of the smaller Australian markets, exports to South Vietnam leapt because of the effect of American procurement policies while those to several other regional markets, notably the Philippines, also advanced.

After stagnating during most of the latter half of 1966–67, imports on a seasonally adjusted basis rose again in the early part of 1967–68. Subsequently, though there were considerable fluctuations, they followed an upward trend, averaging some 7 per cent higher than in 1966–67. A part of this increase was of a purely statistical nature, as from February 1968 it became possible for entries to be cleared at the main ports in advance of the goods. This accelerated the rate at which imports were recorded and added into the statistics the value of goods that had not yet entered the country. (Since this procedure would not have changed the timing of payments to any significant degree, it would have increased the apparent lag in payments abroad and hence would have added to the apparent capital inflow. It is estimated that this could have added about $A30 million to both imports and the apparent capital inflow in 1967–68). The main item in the increase in imports, however, was that of defence equipment, which contributed about a third of the total advance and was most marked for such items as telecommunications apparatus. Most other categories rose broadly in line with changes in domestic expenditure, with especially large increases in imports of motor vehicles and components (including rubber tyres), and of building and construction materials, particularly iron and steel and sawn timber. Imports of capital items such as machine tools and agricultural implements rose, especially in the second half of the fiscal year. Other categories to show an increase included the chief fertiliser raw materials, sulphur and phosphates, and most chemicals, notably plastics. Imports of food, drink and tobacco, by contrast, declined slightly, as did deliveries of crude petroleum and petroleum products, a sector where indigenous production is gaining in importance.

Imports into Australia

$A million

	Food, beverages and tobacco	Basic materials and base metals	Petroleum and petroleum products	Machinery and transport equipment	Other manufactures
1964–65 ..	136	389	244	1,029	1,013
1965–66 ..	147	318	252	1,121	970
1966–67 ..	156	310	247	1,144	1,038
1967–68 ..	152	349	241	1,254	1,112
July–Dec.					
1967	72	167	117	593	538
1968	86	193	123	700	615

TABLE 22

IMPORTS INTO AUSTRALIA *a*

$A million

	1964–65	1965–66	1966–67	1967–68	July–Dec. 1967	July–Dec. 1968
United Kingdom	740	755	695	698	328	376
Canada	117	108	114	136	63	85
New Zealand	45	47	46	59	29	38
India	41	35	33	35	18	18
Ceylon	17	18	15	15	8	9
Malaysia	51 (Malaysia and Singapore)	32*c*	28	28	15	16
Singapore		4	9	8	4	6
Hong Kong	24	25	30	36	20	21
Other Commonwealth ..	87	91	96	94	48	53
United States	676	695	746	805	410	492
West Germany	159	168	154	183	97	101
France	67	92	86	84	40	34
Italy	50	50	52	71	36	42
Netherlands	34	40	45	47	25	24
Sweden	52	52	50	47	24	25
Japan	252	280	290	336	171	206
Indonesia	63	62	57	55	27	31
Iran	27	34	26	19	10	8
Arabian States *b*	104	103	113	126	62	59
Other countries	223	226	227	245	65	81
Total all countries ..	2,829	2,917	2,912	3,127	1,500	1,725
Of which:						
Commonwealth ..	1,122	1,115	1,066	1,109	532	622
E.E.C.	334	357	356	408	209	211
EFTA (Continental) ..	113	123	118	123	60	66
Eastern Europe.. ..	24	17	15	17	6	8

a Years ended June 30th.

b Includes Bahrain, Kuwait, Qatar, Saudi Arabia, Trucial States, Yemen.

c Includes Singapore up to 30th September 1965.

Developments in July–December 1968

Total merchandise exports in the first half of the 1968–69 fiscal and trade year amounted to $A1,559 million, compared with $A1,459 million in the corresponding period of the previous year. Major gains were scored by textile fibres and their waste; metalliferous ores and metal scrap; coal, coke and briquettes;

and chemical elements and compounds. Regarding textile fibres, the improvement in the tone of the wool market was the major factor leading to higher exports, but cotton, not now exported in significant quantities, is a fibre in which Japanese textile companies are already looking to Australia for future supplies. Under the stimulus of official bounty, production of this crop has increased rapidly, exceeding in 1968 for the first time the requirements of local spinning mills. Much of the future growth of exports of minerals to Japan is already provided for under long term contracts, but for rural products, on the other hand, prospects are generally less encouraging. Beef and veal are under quota in Japan, and in the United States (the main market for Australian meat exports) shipments were voluntarily restricted in the last quarter of calendar 1968 and early 1969 to forestall the imposition of formal quotas. But whereas the total value of meat shipments, at attractive prices in July–December 1968, practically reached year-ago levels, exports of dairy produce declined owing to conditions of oversupply in Europe, and wheat showed a big drop owing to rather dull market conditions and reduced availability which had affected the size of the contract with China. Among food items only sugar, sugar preparations and honey registered a large gain in the half-year, buying having been stimulated in anticipation of higher floor prices due under the new International Sugar Agreement. Honey sales in Europe are coming under increasing competition from China. In a small way, but significant for the economy of the State of Western Australia, crawfish sales in the United States have prospered in recent years.

The value of recorded imports in the first six months of 1968–69 was $A1,725 million, $A225 million or 14 per cent more than in the corresponding period of 1967–68. All commodity groups increased, with the largest rises occurring in transport equipment, chemicals and non-electrical machines and machinery.

NEW ZEALAND

World demand for wool, especially the crossbred and carpeting types mainly produced in New Zealand, had weakened in the 1966–67 season—to such an extent that the Wool Commission felt constrained to stockpile about a third of the clip—and with no sign of prices picking up, the 1967–68 season got off to a poor start also. Average prices for other exports were on the whole reasonably well maintained in 1967–68 and the volume of farm production continued to rise in line with targets established by the Agricultural Development Conference. But the inevitable slowing down in the economy from lower aggregate export receipts did not act quickly enough to produce its own corrective, in the shape of reduced spending at home and abroad, and urgent steps were needed to prevent a further worsening in the balance of payments. Fiscal and monetary measures were imposed to restrain the growth of expenditure. The severe exchange controls introduced in 1966 and early 1967 were continued and, although import licensing had been relaxed for the 1966–67 period, reduced quotas were applied to licensed imports in the 1967–68 schedule. Another drawing, this time of $NZ40·2 million, was made from the International Monetary Fund in October to tide over while the above measures took effect. At the time of sterling devaluation in November 1967 it was decided to devalue the New Zealand dollar by 19·45 per cent to bring it on a par with the Australian dollar. In December a further drawing was made from the I.M.F., this time of $NZ13·4 million.

By the end of the trade year in June 1968, the balance of payments had greatly improved. There was a surplus on trade transactions amounting to $NZ199 million, and a deficit of $NZ162 million on invisible transactions, leaving a current account surplus of $NZ37 million—the first since 1963–64.

Other transactions resulted in a balance on capital account amounting to \$NZ40 million, so that there was an overall surplus of \$NZ77 million. This, together with exchange valuation and timing differences of \$NZ21 million, gave an increase of \$NZ98 million in the net overseas assets of the banking system.

Balance of payments summary

\$NZ million

	Visible trade	Invisibles	Current account	Capital account	Overall balance
1965–66 ..	+49·2	−157·5	−108·4	+70·5	−37·9
1966–67 ..	+49·2	−181·4	−132·2	+127·2	−4·9
1967–68 ..	+199·0	−161·7	+37·3	+39·6	+76·9

Devaluation itself increased export receipts and import payments in terms of New Zealand currency for the 1967–68 year, making comparison with earlier years difficult. Export receipts rose to \$NZ833·3 million on a balance of payments basis, while import payments fell from \$NZ709·9 million to \$NZ634·3 million. Current receipts other than exports increased by \$NZ26·3 million to \$NZ119·1 million, practically all of which occurred after devaluation. There were increases in all categories of receipts except transport and immigrants' transfers.

The success in eliminating inflation and bringing current account transactions into balance resulted in a further slowing down in the economy's rate of growth. Estimates put the growth in domestic expenditure at only 1 per cent during the fiscal year to March 1968, compared with increases of 4·6 per cent in 1966–67 and 10·8 per cent in 1965–66. The rise in G.N.P. at current prices likewise declined, from over 7 per cent in 1965–66 to 5·4 per cent in 1966–67 and to about 3½ per cent in 1967–68. These trends inevitably led to a rise in unemployment to about three-quarters of 1 per cent of the labour force, a level higher than that experienced for several decades. Alongside this movement significant steps were taken to encourage expansion of exports. In the July 1968 budget it was announced that the 15 per cent tax deduction given to diversify exports and to increase non-traditional exports, due to expire in March 1969, would be extended to March 1972. The same extension was also applied to the increased deduction of 150 per cent allowed for expenditure on export market development and tourist promotion. Another sign of the emphasis placed on export promotion was the fact that although trading bank advances and discounts actually fell over the year to March 1968, for the first time since 1962–63, there was an increase of 7 per cent in lending to major export categories. This rise was accounted for partly by an increase of some \$NZ20 million in advances to meat freezing companies, because of the marked rise in killings for the 1967–68 season.

For the year ended June 1968 exports, on a Customs clearance basis, rose by some 9 per cent, a fall in receipts registered during the July–December period being more than offset by a post-devaluation rise. The already reduced floor price of 25 cents per lb for the opening of the 1967–68 season was lowered again to 16·25 cents in October 1967, for floor buyers at auction, after the Wool Commission had already had to buy in 45 per cent of the total offered at the first three sales of the season. The floor price to growers was left at 25 cents per lb, to be maintained by supplementation. If devaluation had not taken place it is probable that the Wool Commission would have had to make very substantial purchases to maintain the market floor of 16·25 cents per lb. By the end of the season Wool Commission purchases totalled about 60,000 bales compared with 645,000 bales in the 1966–67 season. Coarse wool prices had deteriorated still further in spite of devaluation while fine wool prices had

Exports from New Zealand

$NZ million

	Wool	*Meat*	*Dairy produce*
1964–65 . .	209	213	181
1965–66 . .	232	197	175
1966–67 . .	174	205	187
1967–68 . .	155	250	190
July–Dec.			
1967	46	93	97
1968	72	128	90

TABLE 23

EXPORTS FROM NEW ZEALAND

$ NZ million

	1964–65	1965–66	1966–67	1967–68	July–Dec. 1967	July–Dec. 1968
United Kingdom	375	339	315	342	131	116
Canada	11	9	11	10	4	8
Australia	35	36	35	52	25	40
Other Commonwealth . .	28	34	33	39	12	27
United States	93	107	114	127	54	111
Belgium	24	22	12	11	3	5
France	34	40	25	26	8	7
West Germany	30	26	21	21	7	9
Italy	18	20	15	15	7	7
Japan	32	57	64	68	33	42
Other countries	58	72	75	82	28	44
Total all countries	738	762	720	793	312	416
Of which:						
Commonwealth . .	449	418	394	443	172	191
E.E.C.	119	120	84	84	28	34
EFTA (Continental) . .	9	8	8	7	3	3
Eastern Europe	7	10	15	10	2	3

tended to rise. Realisations for 1967–68 averaged 22·9 cents per lb compared with 29·4 cents per lb in 1966–67. The quantity sold at auction was 1 per cent greater while exports of raw wool were 16 per cent higher, at 579·8 million lb actual weight, than in the previous season. The fall in export receipts from wool was more than offset by an increase of nearly 22 per cent in those from meat and for the second year running this was the major source of foreign exchange. Exports of frozen beef rose by 28 per cent while those for lamb and mutton increased by almost 20 per cent. Dairy produce exports were only slightly higher than in the previous year and the outlook for this group of exports worsened during the year with the mounting world-wide surpluses of butter, cheese and skim milk powder, so that New Zealand experienced difficulty in disposing of these products at remunerative prices. Exports of wood, and paper and paperboard, showed substantial rises; the former by 121 per cent to $NZ11·7 million and the latter by 65 per cent to $NZ17·7 million.

Exports to the United Kingdom rose by some 8 per cent with falls in sales of beef and veal being more than offset by increased sales of mutton and lamb. Exports of frozen beef fell by about a third while those for lamb rose by about

17 per cent, part of this rise being attributable to higher prices obtaining in the United Kingdom due to a severe outbreak of foot and mouth disease. Sales of dairy produce to this market also continued to expand due to increased volume and value of butter and cheese exports. The volume of wool exports showed a substantial rise to the United Kingdom compared with shipments in 1966–67, but lower prices meant a slight decline in receipts from this source. Exports of dairy produce to the United States fell sharply as a result of intensified restrictions placed on imports of butterfat products and cheese by the United States Government on July 1st 1967. New Zealand's exports of cheddar and colby cheese were limited to some 4,000 tons per annum compared with a previous figure of over 15,000 tons. This movement was, however, offset by a rise of some 42 per cent in sales of frozen beef to the United States and of about a quarter in those of sheep and lamb pelts. Wool exports to this market declined only slightly. After the rising trend in exports of dairy produce to Japan a sharp reverse was experienced in the 1967–68 season. Japan had developed into an important outlet, particularly for skim milk powder, but a recent decision of the Japanese authorities to reduce total imports and to purchase the major portion of its requirements from suppliers in the northern hemisphere will mean a further substantial reduction in sales of skim milk powder to this market. A sharp decline also occurred in sales of wool, but an increase in overall exports was achieved with rises in wood exports and a steep rise of over 60 per cent in those of mutton. A real improvement occurred in trade with Australia, exports to this market expanding by about 50 per cent. A quarter of the rise came in the paper and paperboard group. During the year the Australian Government removed the duties from all New Zealand sawn, undressed timber. This opened up useful prospects for developing trade in Douglas fir and indigenous timber.

There was a decrease of some 18 per cent in imports into New Zealand in 1967–68 as a result of the various measures taken by the Government. This enabled an official announcement of a programme of import liberalisation in April 1968 that had been recommended in a report by the Monetary and Economic Council earlier in the year. The resulting 1968–69 licensing schedule, which became effective in July 1968, provided for a considerable relaxation in the 30-year old system of import control. In the December following devaluation a substantial list of products had been exempted from import licensing. The July 1968 schedule contained further exemptions involving 122 item codes. The schedule of exempted items included edible nuts, crystal glassware, binoculars, cameras, watches, sporting arms, vacuum flasks, and brandy and rum imported in bulk. Of interest to the industrial sector was the inclusion of a wide range of products such as chemicals, metals, agricultural seeds, laboratory and pharmaceutical glassware, earthmoving machinery, reapers, binders, harvesters, office machines, and unassembled commercial vehicles. For those items remaining under control, the majority of licences were to be issued at 115 per cent of the value of 1967–68 licences. Allocations for raw materials, spare parts, and consumer goods were to be extended to that level in most cases.

During 1967–68 most categories of imports showed a decrease over the previous year, the aggregate reduction amounting to 14 per cent in terms of New Zealand dollars. A slight increase was recorded in food imports and in petroleum and petroleum products. In food the main rise came in sugar and cocoa, while rises were registered in both crude petroleum and petroleum products. Imports of basic materials and base metals fell by some 14 per cent, a slight rise in vegetable oils being more than offset by falls in crude materials, and iron and steel and non-ferrous metals. Decreases in iron and steel came in bars and rods, and plates and sheets, while those in non-ferrous metals were recorded in copper and copper alloys, and aluminium and aluminium alloys. A decrease of some 26 per cent in machinery and transport equipment imports was compounded of a fall of over a half in agricultural machinery, one of over 17 per cent in machine parts and varying reductions throughout the electrical machinery sections. In transport equipment the largest declines occurred in road motor vehicles, and ships and boats, although these were offset to a small extent by an increase in imports of railway vehicles. A fall of nearly 8 per cent in the "other manufactures" section was made up of a very slight fall in chemicals, falls in 'textile yarn etc.' categories, and decreases in scientific instruments and photographic goods.

Imports into New Zealand

$NZ million (c.d.v.)

	Food	*Basic materials and base metals*	*Petroleum and petroleum products*	*Machinery and transport equipment*	*Other manufactures*
1964–65	35	108	52	231	226
1965–66	37	124	40	264	256
1966–67	31	124	45	260	248
1967–68	32	106	48	191	229
July-Dec.					
1967	19	50	19	92	106
1968	18	74	27	128	158

TABLE 24

IMPORTS INTO NEW ZEALAND

$ NZ million

	1964–65	1965–66	1966–67	1967–68	July–Dec. 1967	July–Dec. 1968*a*
United Kingdom	242	278	275	188	76	130
Canada	26	30	30	30	15	12
Australia	128	135	143	132	69	87
India	9	11	7	6	3	3
Ceylon	4	5	4	4	2	3
Malaysia	10	6	6	5	2	5
Singapore		1	3	2	1	1
Other Commonwealth ..	20	26	25	29	15	16
United States	75	84	97	68	31	55
West Germany	19	22	27	21	11	17
Netherlands	9	10	9	7	3	4
Indonesia	1	2	2	1	—	—
Japan	37	45	44	48	23	29
Other countries	83	74	80	76	36	51
Total all countries	663	729	752	617	287	413
Of which:						
Commonwealth ..	439	492	493	396	183	257
E.E.C.	42	48	56	44	23	32
EFTA (Continental) ..	21	18	19	17	9	13
Eastern Europe.. ..	2	2	3	2	1	1

a Partly estimated.

Imports from the United Kingdom fell by nearly 32 per cent—a drop of over half, to $NZ29 million, being recorded for clearances of road motor vehicles alone. Smaller falls occurred in electrical machinery, particularly in power machinery and switchgear which declined by $NZ11 million to $NZ7·7 million, and in equipment for distributing electricity which went from $NZ6·6 million down to $NZ3·6 million. Iron and steel imports fell in the bars, rods, plates and sheets, and tubes and pipes categories. Textiles and chemicals also contributed to the smaller total from Britain, with reduced purchases of yarn and and cotton fabrics, and of plastic materials in the chemical section. A rise of nearly 80 per cent to $NZ11 million in petroleum products from Australia was more than offset by falls in road motor vehicles and electrical and non-electrical machinery. The first-mentioned declined by 24 per cent to $NZ15 million. Iron and steel plates and sheets from this source fell from $NZ15 million to $NZ12 million. Imports from the United States decreased in the non-electric machinery category; agricultural machinery declined by over 50 per cent to $NZ3 million. Electrical machinery and road motor vehicles also showed small declines as did scientific, medical and optical instruments. In contrast imports from Japan rose by 10 per cent, rises occurring in railway vehicles, road motor vehicles and scientific, medical and optical instruments.

Developments in July–December 1968

The trade outlook for New Zealand at the opening of 1968–69 was favoured by a pickup in the wool textile industries of major markets, with higher carpet wool consumption in Britain and the United States, and high prices and heavy shipments of meat to the U.S. market especially. The average price of New Zealand wool in the current selling season to the end of December 1968 rose to 30·21 cents per lb, up 7½ cents on the July–December period of 1967. Figures released by the Wool Commission showed that in the current season 604,436 bales had been sold for gross receipts of $NZ60·8 million up to the end of the year. This compared with 613,170 bales of greasy wool valued at $NZ47·1 million in the comparable period of the previous year.

With much improved returns from meat and wool in the U.S. market, New Zealand's favourable balance of trade with the United States experienced an upsurge. Exports to the U.S. in the September quarter of 1968, at $NZ50·8 million, were almost as high as to Britain. Meat exports to the United States were under voluntary restriction in the last quarter of calendar 1968 in order to forestall the formal imposition of quotas, but notwithstanding the ceiling on tonnages shipped, prices and total realizations were good. The foreign exchange position of the country had improved sufficiently for the Minister of Finance to announce, in December 1968, that the Government was to repay the special compensatory drawing of $NZ26·1 million made from the I.M.F. in May 1967, bringing the country's total repayments to the Fund in the previous eight months to $NZ87·7 million and its indebtedness to the Fund down to $NZ53·5 million.

INDIA

By all accounts, the adverse effects on the Indian economy of two successive years of drought have now been overcome and the country is poised for a steady onward push in 1969. The process of recovery, which started in 1967 with a major expansion in farm output, continued in 1968 with a revival in industry and foreign trade. The key date for agricultural recovery was September 1967, when the bumper harvest started to come in, and industrial recovery was clearly under way by June 1968, when industrial output, responding to official policies of monetary and fiscal ease and a revival of exports, rose by 3 per cent in a single month—after seasonal adjustment. The index of industrial production, which had receded by 0·5 per cent in 1967, was officially estimated to have increased by about 6 per cent in 1968. Floods and drought did affect agricultural output during the year but farm production remained stabilized at a fairly high level.

The Economic Survey for 1968–69, presented to the Lok Sabha on 21 February 1969, forecast a growth of about 3 per cent in national income compared with 1967–68, and noted a return to stability in prices and a striking improvement in the balance of payments. The National Council of Applied Economic Research in a recent study has forecast a rise of as much as 5·8 per cent in national income for 1969–70.

Foreign Trade of India

	Calendar 1967	*Calendar 1968*	*Movement per cent*
	million	million	
Exports f.o.b. ..	Rs 12,100	Rs 13,117	+ 8·4
Imports c.i.f. ..	Rs 22,627	Rs 18,708	−17·3
Deficit	Rs 10,527	Rs 5,608	−46·7

Foodgrains production

	Fiscal 1967–68	*Fiscal 1968–69*	
Million metric tons	95·6	98·0 (estimate)	+2·5

At the end of March 1969 the Indian Foreign Trade Ministry predicted the lowest trade deficit in a decade. The peak figure in 1965–66 had been Rs9,490 million, but in the first ten months of 1968–69 the adverse balance of trade had been reduced to Rs3,840 million. For the balance of payments as a whole, repurchases from the I.M.F. during the fiscal year amounted to $U.S.78 million, and there had been a further increase in debt service payments by about $U.S.73 million, but there was no very material variation in foreign exchange reserves.

The Aid India Consortium, which met in Washington in May 1968, promised $1,450 million for 1968–69. This included $1,000 million in non-project aid, of which $100 million was for debt relief (postponement of loan repayments) amounting to a fifth of the debt servicing liability. There was an indication that favourable consideration would be given to similar debt relief for two more years. One of the aims of the Consortium, formed in 1958 under World Bank auspices, was to give an advance indication of aid availabilities for planning purposes, but it has not always worked out that way: of the $450 million project aid commitment made by the Consortium in Paris, November 1967, only Britain had by July 1968 provided anything, in the form of two loans totalling £16 million. In the United States, Congress decided to pass the smallest foreign aid allocation for 20 years.

On 1 April 1968 the Government of India announced its trade policy for the twelve months to March 1969. This involved the administration of the industrial licensing system to favour those concerns which exported the stipulated percentage of their output. Earlier, in February 1968, the Government had reduced the duty on some exports. The 1968–69 budget brought more relief to exporters for market promotion, and export credit was given. Assistance on some exports was raised by 5–10 per cent conditional on satisfactory expansion of exports in the period March 1968 to February 1969, compared with the preceding twelve months.

The new policy marked a departure from the traditional policy of vigorous import substitution designed to save foreign exchange. However, as foreign aid prospects diminished, the Government appointed a committee in September 1968 to suggest imports which could be immediately done away with, items whose import could be gradually eliminated, and imports which were unavoidable. The Government planned to import these last from the Soviet Union and countries of Eastern Europe with which India has agreements providing for balanced trade. The cabinet also decided that the state-owned industries should not call for global tenders for machinery and equipment available in rupee payment areas. Future imports from convertible currency areas would depend on the amount of non-project aid available.

Exports of manufactured goods, aided by the devaluation of 1966, showed unprecedented growth in 1968, and on this rested India's long-term hopes of economic development. For this the wage-cost inflation at home would need to be checked, foodgrain prices stabilized and imports essential to exports maintained. The Economic Survey for 1968–69 pointed out that food prices over the year fell by 9·5 per cent, and predicted a rise of foodgrain stocks to 5 million tons by June 1969, at which level buffer stock operations would proceed. But the outlook for commercial crops was not as favourable as for foodgrains, and the decline in prices of foodgrains was counterbalanced by a rise in prices of industrial raw materials and manufactures. To some extent this was the natural result of exemption of more industries from stringent price and production restrictions. Towards the end of 1968 the Government made known its intention to exempt all industries which needed no foreign exchange from the industrial licensing system.

Exports from India

Rs million

	Tea	*Sugar*	*Hides skins and leather*	*Raw cotton*	*Cotton fabrics*	*Jute goods*	*Animal feeding stuffs*	*Unmanufactured tobacco*	*Iron ore*
1964–65	1,247	215	365	142	641	1,672	406	244	374
1965–66	1,148	119	381	131	633	1,810	360	196	421
1966–67	1,584	182	786	175	756	2,490	523	215	702
1967–68	1,802	165	610	194	794	2,335	469	348	748
Apr.–Nov.									
1967	1,276	98	423	124	507	1,588	266	275	429
1968	1,164	34	516	108	588	1,417	329	269	538

In the wake of industrial recession in previous years public sector steel plants were running throughout part of 1968 at less than 60 per cent of capacity; and work on another large steel mill, this time with Soviet aid, started at Bokaro. Engineering firms in general were faced with huge excess capacity and the sharp upward movement of exports needs therefore to be seen against a background of recession at home and a rapid growth of world trade. Moreover the devaluation in June 1966, together with the export promotion measures that followed, made it possible for a whole range of products to compete overseas more successfully than in the past. Exports were given priority import treatment, replenishment imports and low-interest bank credit. Exports of engineering products, which ten years ago had been running at an annual rate of about Rs60 million, totalled Rs415 million in 1967–68 and the following year were expected almost to be double that figure. In spite of the difficulty of extending export credit on a large scale, major contracts were won for export shipments of such items as pipes and tubes, electric wires and cables, railway wagons and coaches, electric transmission line equipment, automobile parts, bicycles, jute and textile machinery, iron and steel castings, electrical storage batteries, electric fans, machine tools and data processing equipment.

Only 15 years ago cotton textiles were one of the pillars of Indian industry, but by 1968 the textile industry was less robust and output, significantly down on the 1956 yardage in spite of a 100 million population rise since then, faced competition from synthetics and expanded capacity abroad. The two-year drought of 1965–67 had resulted almost in a doubling of raw cotton prices, apart from higher labour payments, and devaluation by 36·7 per cent in June 1966 had put up the price of imported raw cotton, so that prices of Indian textile exports were actually higher than before devaluation. The main reason why the total value of exports of cotton textiles in 1967–68 was higher than in the two preceding years was that home grown supplies of the raw material were more plentiful. Production for export was running still higher in 1968–69. With jute goods, on the other hand, the value of exports reached a peak in 1966–67 and has since been falling. Production of jute and mesta was down by over a quarter in 1968 after a sharp decline due to floods in West Bengal, an area which produces almost half of the Indian jute crop. The supply of jute fibre to mills is regulated on a quota basis, and production of traditional goods was cut back by 20 per cent of capacity. Jute goods are normally the largest foreign exchange earner for India, with four-fifths of output going overseas, but exports are facing increased competition from substitutes in world markets.

Jute manufactures and tea together make up about a third of Indian exports. However, profits on tea plantations were declining and exports were running at a lower level in 1968. In October of that year the Government, in an attempt to encourage exports, abolished the 20 per cent surcharge on excise duty, reduced

TABLE 25

EXPORTS FROM INDIA *a*

Rs million

	1964-65	1965-66	1966-67	1967-68	1968-69*b*
United Kingdom	1,669	1,451	2,020	2,286	2,218
Canada	174	203	309	297	296
Australia..	199	175	261	280	264
Pakistan	97	49	—	—	—
Ceylon	144	128	185	148	224
Kenya	53	49	73	60	84
Tanzania..	28	38	42	40	55
Uganda	8	10	19	14	21
Other Commonwealth	390	358	516	434	653
United States	1,466	1,473	2,197	2,069	2,222
France	119	110	181	154	177
West Germany	176	179	259	219	278
Italy	99	83	153	177	182
Netherlands	91	79	118	130	162
Soviet Union	779	930	1,234	1,217	1,556
Czechoslovakia	159	158	286	292	321
East Germany	129	137	194	203	205
Poland	112	91	135	220	246
Yugoslavia	115	112	189	116	188
Sudan	63	82	146	207	199
Egypt	142	270	250	212	187
Burma	64	36	37	38	125
Japan	608	571	1,073	1,356	1,475
Other countries	1,251	1,243	1,651	1,778	2,257
Total all countries.. ..	8,135	8,015	11,528	11,947	13,595
Of which:					
Commonwealth	2,762	2,461	3,425	3,559	3,815
E.E.C.	565	547	886	887	1,105
EFTA (Continental) ..	98	99	131	138	157
Eastern Europe	1,323	1,452	2,067	2,142	2,514

a Years ended March 31st.

b Annual rates based on latest data.

the export duty and granted a replanting subsidy. Earlier, in June 1968, India and Ceylon had signed an agreement leading to the establishment of a consortium to market blended and packaged tea in foreign markets.

Exports of raw cotton and sugar were running at significantly lower levels in 1968 compared with year-ago values. An increase had been expected in the cotton crop owing to various development measures taken during 1967–68, but this hope was frustrated by floods in the cotton growing tracts of Gujerat and a fall in cotton acreage in the South. By contrast the value of exports of hides, skins and leather showed a substantial improvement, and exports of iron ore inevitably climbed higher in the face of Japanese demand.

In February 1968 the Minerals and Metals Trading Corporation signed contracts with nine Japanese steel mills to supply 8·55 million tons of iron ore over a three year period. A prominent company in Goa obtained an order for the export to Japan of 10 million tons of iron ore pellets over a ten year period starting 1969. The Bailadila project in Madhya Pradesh, worked by the National Mineral Development Corporation, with estimated reserves of around 5,000 million tons, was planning to mine and export yearly 4 million tons of ore of 65–70 per cent iron content to Japan under a long-term contract.

India recorded exceptional growth in its trade with the Soviet Union in 1968–69, but this posed problems of financing. Under the bilateral agreement trade exchanges between the two countries should be balanced, but India's requirements were changing—in favour of raw materials and components for industry rather than complete plants. A fundamental change came in November 1968 when East European countries agreed to the "limited multilateralisation" of their world trade—a move agreed to in principle at UNCTAD II. Bulgaria took the first step by concluding an agreement enabling India to import rock phosphate and other raw materials from North Africa and the Middle East against payment obligations to Communist countries, which India could defray from its trade balances with Eastern Europe.

Although there was a welcome increase in Indian exports to Yugoslavia in 1968–69, this was quite insufficient to liquidate the latter country's accumulated rupee surplus which had been giving concern. However, the two countries signed a protocol in New Delhi in February 1969 extending the Trade and Payments Agreement between them for a further period of one year, ending 31 March 1970, and providing an opportunity to Indian trade and industry to develop its exports in 1969–70. These arrangements would continue to be based on non-convertible rupees and the question of how trade should be developed in subsequent years was left to be considered later.

The value of Indian exports to the Commonwealth rose substantially in 1968–69 in spite of relatively depressed results in trade with the developed member countries, mainly reflecting the growth of trade within the E.C.A.F.E. region and Africa. Higher totals were recorded for shipments to Ceylon, Singapore and Hong Kong, in particular, as well as to East Africa. Exports to the United States recovered the ground lost in the previous year.

Imports into India

Rs million

	Food	*Basic materials and base metals*	*Mineral fuels and lubricants*	*Machinery and transport equipment*	*Other manufactures*
1964–65 ..	3,227	2,974	687	4,777	1,724
1965–66 ..	3,541	3,034	684	4,921	1,733
1966–67 ..	7,053	3,829	633	5,761	2,838
1967–68 ..	5,791	4,197	749	4,962	3,551
Apr.–Nov.					
1967	3,925	3,065	554	3,246	2,229
1968	2,674	2,535	603	3,575	2,693

In imports, 1968 showed a falling trend, improving the balance of payments position considerably. In the April-November period the bulk of the reduction in imports was due to lower clearances of foodgrains and metals. Fertilizer imports were higher, and rises in imports of certain producers' goods, machinery spare parts and components was officially ascribed to the revival of industrial production. The major change in the geographical pattern of imports was the sharply increased total shown by provisional data as having come from Eastern Europe (including the Soviet Union), against falling totals from the United States, Britain and the E.E.C. The continuously rising trend of imports from the U.A.R., notably extra-long staple cotton for fine-yarn saris and dhotis, may be contrasted with the falling trend of exports to that country, though of late there have been signs of a reversal of this movement.

TABLE 26

IMPORTS INTO INDIA *a*

Rs million

	1964-65	1965-66	1966-67	1967-68	1968-69*b*
United Kingdom	1,633	1,490	1,630	1,436	1,256
Canada	265	305	914	975	947
Australia..	246	241	588	648	242
Pakistan	166	56	14	21	—
Ceylon	55	39	26	31	12
Kenya	74	45	59	79	83
Tanzania..	76	71	138	115	96
Uganda	22	12	16	26	57
Malaysia	141	126	124	93	59
Singapore			150	33	11
Other Commonwealth	82	72	50	72	145
United States	5,090	5,318	7,790	7,668	6,183
France	178	177	345	313	378
West Germany	1,092	1,364	1,605	1,416	1,236
Italy	225	194	411	340	509
Soviet Union	787	829	1,018	916	1,338
Burma	103	97	402	92	1,182
Egypt	173	200	203	268	520
Iran	290	341	305	329	347
Japan	780	757	995	1,038	1,208
Saudi Arabia	135	87	61	228	274
Other countries	1,811	2,140	3,455	3,216	3,139
Total all countries.. ..	13,424	13,961	20,299	19,353	18,159
Of which:					
Commonwealth	2,760	2,457	3,709	3,529	2,909
E.E.C.	1,720	2,046	2,945	2,488	2,401
EFTA (Continental) ..	310	319	425	447	453
Eastern Europe	1,339	1,442	1,959	1,867	2,388

a Years ended March 31st.

b Annual rates based on latest data.

Imports of specified commodities required by 59 priority industries, including small-scale industries, are licensed upon application, on a continuing basis, provided that previous licenses have been utilized to a sufficient extent. Licences to actual users for imports of raw materials, components, and spare parts are not granted wholly against free foreign exchange, but partly against tied-aid credits from particular countries. Individual licences may be issued ad hoc, or on the basis of quotas allocated to established importers in accordance with their imports in a base period, to actual users on the basis of their requirements, and to registered exporters in accordance with the import content of their exports. There are special procedures applicable to imports of capital goods, of heavy electrical plant, and of goods imported to fulfil government contracts and for irrigation projects. Certain commodities, including foodgrains and most fertilizers, are only imported by the Government or state trading enterprises—mainly the State Trading Corporation and the Minerals and Metals Corporation.

PAKISTAN

Preliminary estimates of gross national product for 1967–68 indicated a rise of 8·3 per cent compared with the smaller increase of 5 per cent in the preceding year. This sharp acceleration in the rate of growth was attributed mainly to a substantial expansion of agricultural production. Helped by the resumption of United States commodity aid and by greater use of existing capacity, industrial production advanced by 10 per cent in 1967–68—about the same as in the preceding year. The recorded value of exports showed a further rise during the year, and with a fall in imports the gross merchandise trade gap was reduced by some 30 per cent.

New high-yielding varieties of wheat and rice are causing a big change in the country's foodgrain situation. Increased planting of these varieties and favourable weather brought total per capita foodgrain availability to 15·1 ounces a day in 1967–68—the highest in recent years although below the 1948–49 level of 15·8 ounces. The wheat crop harvested in May 1967, which influenced the supply position in 1967–68, was estimated at 4·3 million tons, reflecting an increase of 11 per cent compared with the preceding year. Final estimates of wheat production for 1967–68 settled on 6·4 million tons—a 47 per cent expansion. Rice production in 1967–68 amounted to 12·5 million tons, showing an increase of 16 per cent over the preceding year. Among coarse grains, production of maize, bajra and jowar rose by 35 per cent, 11 per cent and 5 per cent respectively. Production of gram fell by 23 per cent.

After two years of drought, a rephasing of the Third Plan took place in May 1967, giving priority to agriculture. According to projections to 1974–75 by the Government of Pakistan, based on continued expansion of acreages planted to the high yielding Mexican varieties of wheat, the country as a whole will reach self-sufficiency in this grain, and even have a small surplus, in 1970–71. For West Pakistan alone, where practically all the country's wheat is produced, official projections show a surplus in 1969–70. The projections for rice, assuming success with the high-yielding IRRI variety, show production exceeding requirements in 1968–69 for the country as a whole. Eighty per cent of the country's food is produced from the irrigated plains of the Indus River: all cotton and rice comes from these areas and 70 per cent of all livestock.

Efforts to promote exports continued during 1967–68. Among the new measures adopted was the establishment of the Trading Corporation of Pakistan in July 1967, mainly with a view to implementing barter contracts with Communist countries and undertaking importation of some bulk items from other countries. The Corporation acts as a commission agent. Institutional arrangements for export promotion were further strengthened by setting up the Jute Trading Company and the Tobacco Board.

Some policy adjustments were made to counteract the adverse effect of devaluation of the pound sterling on exports from Pakistan. The 10 per cent export duty on raw jute and raw cotton was abolished, and there were widespread increases in rates under the Export Bonus Scheme (whereby traders submitting evidence of exportation may receive additional import licences valued at a proportion of the net foreign exchange surrendered). This Scheme applied to all exports other than raw jute, raw cotton, hides and skins, rice and tea. On the side of imports a customs surcharge (regulator duty) of 10 per cent ad valorem was imposed on almost all imported industrial raw materials, as well as certain manufactured consumer goods: most imports on the bonus or cash-cum-bonus lists were exempted from this. Imports of all commodities except machinery were already subject to a "defence surcharge" of 25 per cent of the applicable rate of Customs duty. At the time of devaluation of sterling imports of machinery were made subject to an additional duty of 10 per cent ad valorem in West Pakistan and 5 per cent in East Pakistan: agricultural machinery, fertilizers and pesticides were exempted.

Moves towards a further expansion of trade with the Soviet Union were marked by the signing of a three year agreement in February 1968, under which Pakistan and the U.S.S.R. would exchange goods valued at Rs300 million. It was expected that trade would be in the order of Rs90 million each way in calendar 1968, rising to some Rs110 million by 1970. Total trade between the two countries would be greater owing to imports into Pakistan under Soviet credits and the rice barter agreement which was further extended in May 1968. In the year ended June 1968 actual exports from Pakistan to the Soviet Union fell to Rs90 million, lower sales of rice contributing to the decline. Imports from the Soviet Union fell, to Rs146 million, but at this level they nevertheless recorded over twice the total in any previous year other than 1966–67.

A little progress was made tradewise under the Istanbul Alliance for regional co-operation and development between Pakistan, Turkey and Iran. The volume of intra-regional trade during the past four years failed to attain the desired level and was still only a small fraction of total R.C.D. trade with the rest of the world, but in 1968 a Tripartite Trade Agreement was signed on the basis of which R.C.D. States would lift their tariff barriers gradually and accord favoured treatment to each other. Pakistan and Turkey were permitted to "tie" their imports from each other by the issuance of single-country licences—tobacco and metals from Turkey against jute and cotton from Pakistan. To facilitate bilateral trade the arrangement for co-operation between the Trading Corporation of Pakistan and an Iranian Agency was approved. Actual exports to Turkey and Iran expanded in 1967–68 with higher sales of jute bags and jute fabrics.

A further agreement was signed in April 1968, for one year, between Pakistan and China, envisaging an exchange of goods to the value of Rs110 million. Actual exports to China in 1967–68 fell by half to Rs107 million, with big declines in sales of raw jute and raw cotton. Imports fell to Rs131 million, at which level they were still greater than in any year before 1966–67.

Exports from Pakistan

Rs. million

	Fish	*Rice*	*Hides and skins*	*Wool*	*Raw cotton*	*Raw jute*	*Cotton yarn and thread*	*Cotton fabrics*	*Jute manufactures*
1963–64 ..	100	106	51	75	340	753	99	90	323
1964–65 ..	87	123	35	70	287	845	142	134	301
1965–66 ..	52	133	31	72	278	863	105	149	573
1966–67 ..	69	176	10	42	291	898	118	159	620
1967–68 ..	57	149	7	43	442	759	216	200	620
July–Dec.									
1967 ..	30	94	3	21	105	218	92	86	193
1968 ..	43	52	2	22	131	414	101	114	320

Aggregate exports of raw jute to all destinations fell substantially in 1967–68 as a result of lower prices, and despite an increase in the quantity shipped. The rapid growth in the value of exports of jute manufactures was halted, with higher sales of fabrics offset by lower values for jute bags in particular, but also rope and twine, and jute carpets. Exports of raw wool and animal hair rose only to Rs43 million, the greater volume of sheeps wool being offset by a decline in the average rupee price per lb. Raw cotton expanded strongly while exports of cotton twist yarn and thread, and cotton fabrics, continued their rapid growth. The value of exports of fish fell by around 17 per cent and that of rice by 15 per cent, the latter despite an increase in production—lower exports being due to the campaign for self-sufficiency in food by 1970 as well as to the more exacting quality standards encountered in foreign markets. With no bonus voucher entitlement exports of raw hides and skins declined towards vanishing point.

TABLE 27

EXPORTS FROM PAKISTAN *a*

Rs million

	1963–64	1964–65	1965–66	1966–67	1967–68
United Kingdom	332	307	354	352	399
Canada	22	22	23	18	24
Australia..	74	55	81	90	75
India	111	220	18	1	1
Hong Kong	153	114	110	130	208
Ceylon	28	55	45	59	31
Kenya	9	26	28	19	29
Other Commonwealth	77	76	126	211	172
United States	215	191	296	288	475
Belgium	86	92	156	99	113
France	94	77	105	77	104
West Germany	67	71	102	112	126
Netherlands	39	34	49	54	61
Italy	55	34	59	68	88
Japan	130	131	137	118	253
China	167	181	155	212	107
Soviet Union	13	12	80	130	90
Burma	48	96	42	63	30
South Africa	75	48	7	—	—
Other countries	504	578	745	812	962
Total all countries.. ..	2,299	2,420	2,718	2,913	3,348
Of which:					
Commonwealth	806	875	785	880	939
E.E.C.	340	308	472	410	492
EFTA (Continental) ..	46	50	53	58	71
Eastern Europe	61	62	150	262	233

a Years ended June 30th.

Exports to the Commonwealth went up by just over 6 per cent. Those to the United Kingdom rose by 12 per cent, with increases in raw jute, raw cotton, raw wool, cotton fabrics and jute fabrics. Exports to Hong Kong advanced by nearly 60 per cent, practically all of the increase coming in raw cotton and cotton twist yarn and thread. The fall in exports to Australia was due to a Rs21 million decline in jute bags. The value of exports to Singapore and Malaysia fell by 22 per cent and 40 per cent respectively, despite rises in sales of cotton twist yarn and thread, and cotton fabrics, to the former. Sales to Ceylon decreased by some 47 per cent, a quarter of this being due to reduced returns from fish exports, while exports of cotton twist yarn and thread and fabrics were also lower.

Domestic exports to the United States declined by nearly 7 per cent, rises in sales of raw jute, raw wool and jute fabrics being offset by falls in cotton fabrics, down 30 per cent to Rs25 million, fish, down 50 per cent to Rs16 million, and jute carpets which decreased 60 per cent to Rs2 million. However, re-exports, mainly of construction and mining machinery used in connexion with aid projects, temporarily pushed the value of exports to this market into first place. The rise of well over 100 per cent in exports to Japan was made up of increases over most categories, cotton twist yarn and thread alone rising from Rs9 million to Rs65 million; raw cotton almost doubled while fish exports more than quadrupled, and jute fabrics reached over Rs8 million from under Rs1 million while raw jute rose by 10 per cent to Rs 33 million.

Imports of food in 1967–68 fell by nearly 20 per cent. After the steep rise of the previous year wheat imports registered a decrease of 9 per cent, and rice one of nearly 36 per cent, reflecting the improved foodgrains situation. Decreases in imports of crude rubber and wool offset rises in wood and cotton. Imports of animal oils and fats and soft fixed vegetable oils rose steeply, the former by 41 per cent to Rs73 million and the latter by over 120 per cent to Rs127 million, so that despite a drop from Rs38 million to Rs17 million in other fixed vegetable oils, this section recorded a 44 per cent increase. Inward clearances of paper and paper board fell from Rs 54 million to Rs 38 million, and textile yarn and thread from Rs89 million to Rs50 million. Imports of mineral fuels fell slightly also, a rise in clearances of crude petroleum being more than offset by a fall in petroleum products from Rs144 million to Rs77 million. A small rise occurred in imports of machinery and transport equipment; textile and leather machinery rose from Rs211 million to Rs289 million but was balanced by decreases in imports of other non-electric machinery. Purchases of electric machinery showed little movement at Rs294 million, while transport equipment dropped from Rs458 million to Rs401 million, a rise in railway vehicles being more than offset by the Rs82 million fall in road motor vehicles. Imports of chemicals contracted by nearly 13 per cent to Rs540 million, while iron and steel and non-ferrous metals showed a reduction of nearly 40 per cent to Rs435 million, nearly all the fall occurring in the iron and steel category.

Imports into Pakistan

Rs million

	Food	*Basic materials and base metals*	*Mineral fuels*	*Machinery and transport equipment*	*Other manufactures*
1963–64	662	963	293	1,542	955
1964–65	838	1,350	202	1,801	1,155
1965–66	469	838	212	1,714	960
1966–67	897	1,065	304	1,731	1,181
1967–68	724	839	294	1,774	1,010
July–Aug.					
1967	131	135	66	305	169
1968	71	193	50	258	188

Permitted imports into Pakistan were classified under four lists: a free list, a licensable list, an export bonus list (also called bonus import list), and a cash-cum-bonus list. All imports required licences, except those on government account or certain imports over the land route from Afghanistan and Iran. The free list was mainly restricted to registered industrial consumers or commercial importers. Limitations to entitlement on the free list were related to past per-

TABLE 28

IMPORTS INTO PAKISTAN *a*

Rs million

	1963–64	1964–65	1965–66	1966–67	1967–68
United Kingdom	637	735	637	681	647
Canada	79	129	92	168	114
Australia	53	50	33	292	53
India	95	128	26	2	3
Other Commonwealth	90	110	78	107	71
United States	1,897	2,073	1,448	1,528	1,462
Belgium	47	69	44	47	39
France	46	73	63	109	142
West Germany	477	731	505	457	454
Italy	81	126	186	202	183
Netherlands	63	60	69	83	80
Japan	289	484	378	453	422
China	51	97	97	159	131
Soviet Union	41	63	68	179	146
Afghanistan	43	43	62	99	94
Iran	168	67	29	124	157
Other countries	273	335	393	502	456
Total all countries	4,430	5,373	4,208	5,192	4,654
Of which:					
Commonwealth	954	1,152	866	1,250	888
E.E.C.	713	1,059	867	899	899
EFTA (Continental)	92	115	168	146	123
Eastern Europe	67	141	148	319	296

a Years ended June 30th.

formance, with ceilings on individual letters of credit accordingly. Permissible sources and conditions of procurement were prescribed for certain items on the free list. With the exception of specific country licences issued in accordance with trade, aid or loan agreements, import licences could be used anywhere except India, Israel, Rhodesia or South Africa.

At the beginning of the 1967–68 year import policy was announced for the following six months only, as firm aid commitments for the year were not available. For the six months to December 1967 items which could be imported on the free list were reduced from 67 to 10. Items important for the encouragement of industrial and agricultural production (such as iron and steel, non-ferrous metals and ferro-alloys, tools and workshop equipment, chemicals, marine diesel engines, fertilizers, insecticides and pesticides) were retained on the free list. The licensable list, which included essential consumer goods such as drugs and medicines, was reduced from 96 to 93 items. In contrast, partly because of the limited availability of cash resources and partly with a view to making the industrial and commercial sector self-reliant, the bonus list was expanded from 45 to 232 items. The import policy for the January–June 1968 period provided for comparatively more liberal and more automatic licensing procedures. Emphasis was placed on enabling industry to work to full capacity in spite of the reduced availability of foreign exchange resources. The number of items on the free list was increased to 14; five of these were importable exclusively by industries, 2 by public sector agencies, and the rest by all. The licensable list was reduced to 25 items whereas the cash-cum-bonus list was expanded from 11 to 70 items. Important additions were maintenance spares and components for motor scooter assembly. These and the inclusion of a large number of essential raw materials were expected to be of great benefit to the industrial sector. The bonus list was further extended to cover 242 items and this list included items covered by the free, licensable and cash-cum-bonus lists to ensure optimum utilization of the country's indigenous productive capacity.

Developments in July–December 1968

The import policy for the first half of 1969, announced towards the end of 1968, involved no radical changes, being aimed primarily at simplifying licensing procedures and liberalising imports in order to increase the availability of essential consumer goods. The free list consisted of the same 14 items as for the previous period, importation of which would be financed from loans, credits and under barter agreements. No licences would be required for the importation of free list items.

The export situation in the first half of the 1968–69 trade year was not unfavourable. Exports of cotton cloth continued to expand. The downward trend in wool prices was halted and the local market in Karachi was firm, in line with major wool centres. Exports of raw hides and skins from West Pakistan were at a standstill but shipment of tanned and semi-tanned leather continued at a very satisfactory level with Japan and Italy as the main buyers at rising prices. The State Trading Corporation started bulk sales of tanned skins to Eastern European countries. In East Pakistan also there was practically no exportation of hides, local demand being stimulated by export bonus incentives given to leather goods manufacturing concerns, whose products flowed freely to foreign markets. Exports of skins, however, showed an increasing tendency with France, the Netherlands and Belgium as principal buyers. Continued industrial expansion in Pakistan has meant a growth in exports of manufactured goods in the region of 25 per cent a year, with larger sales of jute and cotton manufactures, and leather goods, and a correspondingly greater home demand for the raw materials. Floods in the early part of the 1968–69 season combined with the world's overall short jute crop to bring about a sharp increase in prices so that, in spite of a short crop in Pakistan, foreign exchange earnings from this commodity showed no significant change for calendar 1968 as a whole compared with the previous year.

CEYLON

Although the value of exports, including re-exports, rose by Rs148 million to Rs1,413 million, comparing the first nine months of 1968 with the corresponding period of the previous year, imports expanded by Rs297 million, thus more than doubling the gross merchandise trade deficit. The increases in value of both exports and imports were largely influenced by higher rupee prices resulting from devaluation of the Ceylon rupee in November 1967. The terms of trade—export prices divided by import prices, as compiled by the Central Bank of Ceylon—fell to a level little over half that of ten years ago.

Ceylon

Rs million

	Domestic exports	*Re-exports*	*Total Exports (f.o.b.)*	*Imports (c.i.f.)*	*Balance of merchandise trade*
1964	1,840	10	1,850	1,974	−124
1965	1,915	5	1,920	1,472	+448
1966	1,674	6	1,680	2,024	−344
1967	1,629	8	1,637	1,734	− 97
Jan.–Sept.					
1967	1,258	7	1,265	1,371	−106
1968	1,411	2	1,413	1,668	−255

Index numbers (a)
(1958=100)

	Exports Volume	Price	*Imports* Volume	Price	*Terms of trade*
1964	119	93	105	107	86
1965	125	95	77	109	88
1966	114	90	107	119	76
1967	119	85	85	123	69
Jan.–Sept.					
1967	119	86	97	123	70
1968	104	99	92	182	54

(*a*) Compiled by Central Bank of Ceylon

Of the three main groups accounting for some 95 per cent of domestic exports, only coconut products sold at world prices, in terms of U.S. dollars, higher than those of 1967. In Ceylon rupees, the value of exports of the three major coconut products (viz. copra, dessicated coconut and coconut oil) amounted to Rs228 million in the first nine months of 1968, an increase of Rs113 million over the same period of 1967. This improvement was achieved partly by an expansion of 10 per cent in volume (in terms of their nut equivalent) and partly by a 70 per cent increase of f.o.b. prices.

Exports from Ceylon
Rs million

	Tea	*Rubber*	*Coconut products*
1964	1,141	290	331
1965	1,210	304	325
1966	1,027	337	234
1967	1,060	282	212
Jan.–Sept.			
1967	821	231	153
1968	885	237	271

Rubber exports in the first three-quarters of 1968 amounted to 247 million lb, an increase of 9 per cent, but this was largely offset by a fall of 8 cents/lb, to 95 cents/lb, in unit value, leaving exports at Rs237 million little higher than the corresponding year-ago level. Export receipts were actually down on year-ago figures until the month of September when a recovery set in which, aided by a number of short-term influences, took prices in Singapore and London to their highest since the Middle East crisis of June 1965.

The volume of tea exported in the first nine months of 1968 was down by about 6 per cent on the quantity shipped in that period of the previous year, largely because of a strike in the trading sector in April 1968, which affected movement of supplies in that and the following month. However, with the rupee price average up by 32 cents/lb, to Rs2·51 per lb, the value of exports rose by Rs63 million to reach Rs885 million, accounting for some 60 per cent of the value of domestic exports in the period. In terms of sterling this represented a slight increase in the export value of this commodity on a Customs clearance basis, but a substantial drop in terms of U.S. dollars. Owing to an accumulation of stocks in London from July onwards, prices in London and Colombo fell sharply in the last quarter of 1968. Another depressing feature of the Colombo Auctions was the temporary withdrawal of the Iraqi buyer because of large stocks of tea awaiting clearance at Basra, in addition to some 4 million lb unshipped from Colombo. This adversely affected prices paid for low grown teas.

Ceylon has encountered increasing competition from East Africa (in addition to other, traditional producing countries) and has faced gradually deteriorating world prices as a result of overall production tending to outstrip consumption. In these circumstances, the profitability of the tea gardens, and especially production of quality teas and consignments to the London auctions (where the East African crop is disposed of) came under increasing pressure. A Committee of Enquiry, established in May 1967 to examine the industry, reported in August 1968. (Between these dates the Government had abolished the general rebate of export duty on tea while raising the rate of duty itself from 35 cents/lb to 40 cents/lb, along with other measures to syphon off windfall devaluation profits.) As a result of the Committee's recommendations, the Government extended a 5 cents/lb rebate of export duty to *all types* of teas sold at the Colombo auctions and provided equivalent relief to teas shipped on consignment for the London auctions. In addition, attempts were being made to double the rate of replanting with high-yielding varieties by raising the tea replanting cess and by making loans for this purpose in addition to grants; the tea promotion tax was raised from 4 to 5 cents/lb, with a corresponding reduction in the rate of export duty. Against this background, tea production in 1968, from the smallest crop since 1962, fell by 6·5 million lb. This was the result of severe drought in some areas and of heavy rains in the Western region.

Classification of exports by countries shows an expansion of exports, in terms of U.S. dollars, to West Germany and Italy—mainly rubber and coconut products. Coconut oil also featured in a higher dollar value of exports to

TABLE 29

EXPORTS FROM CEYLON

Rs million

	1964	1965	1966	1967	1968*a*
United Kingdom	534	506	417	474	517
Canada	61	64	47	53	61
Australia	88	101	74	93	101
New Zealand	33	41	34	35	42
India	67	44	20	19	18
Pakistan	34	33	42	31	33
Other Commonwealth	30	33	39	31	52
South Africa	91	92	81	84	96
United States	149	147	135	138	141
West Germany	60	63	47	52	77
Italy	37	37	30	31	42
Netherlands	40	42	33	38	48
Poland	31	25	25	13	25
Soviet Union	101	97	82	57	75
China	122	172	177	153	189
Japan	39	39	42	42	59
Iraq	99	98	105	55	*b*
Iran	17	41	27	18	*b*
Other countries	217	245	223	220	307
Total all countries	1,850	1,920	1,680	1,637	1,883
Of which:					
Commonwealth	847	822	673	736	824
E.E.C.	160	164	129	140	192
EFTA (Continental)	12	12	10	9	7
Eastern Europe	152	167	151	102	135

a Annual rates based on latest data.

b Included, if any, in "Other countries".

Eastern Europe, as devaluation opened up a useful competitive margin and typhoon damage cut production in the Philippines, but total exports to this group of countries waned after 1965. Exports to China, consisting mainly of rubber traded for rice under the Rice-Rubber Pact, have shown no major variation since 1965, after allowing for devaluation. Rubber exports to China, Poland, Rumania and the Soviet Union, and tea exports to Egypt, were under state trading in 1968.

Exports to most Commonwealth countries since 1964 have reflected the weakness of the staple exports, but the sharp fall in the value of shipments to India also reflected difficulties—especially foreign exchange shortages and supply shortfalls—in the implementation of the 1961 trade agreement between these countries. Trade consultations were held between them in 1968 with a view to reversing the trend and identifying areas and methods of expanding trade and economic co-operation between the two countries. The dollar value of exports to the United States since 1964 have shown a declining tendency, as have those to South Africa. The Republic of South Africa is meeting a steadily increasing proportion of its tea requirements from domestic sources and other African countries.

For some time an export incentive scheme had been in force for all industrial goods the manufacture of which had either been approved by or registered with the Development Division of the Ministry of Industries and Fisheries and for specified non-industrial exports (tobacco, mica, cocoa liquor etc.). Exporters of such commodities were granted transferable bonus vouchers in amounts equivalent to 20 per cent of the f.o.b. value of the goods exported (provided the net foreign exchange earnings were not less than 25 per cent of f.o.b. value). The vouchers entitled the holder to obtain import licences to the same face value for any commodity admitted for import by established traders ("trade quota items"), and for industrial raw materials, machinery and essential spare parts.

In an effort to assist exporters of non-traditional goods to market their products abroad the Government introduced the Foreign Exchange Entitlement Certificate Scheme in May 1968. With the introduction of the new scheme, the export bonus voucher scheme ceased to operate. Under the F.E.E.C. Scheme all exports except tea, rubber, coconut oil, copra, desiccated coconut and fresh coconut qualify for certificates which entitle the exporter to about 45 per cent additional rupee income over and above the income at the normal rate of exchange. Certificates are traded by the Central Bank at rates fixed from time to time, and there is a forward market. The Scheme is thus in effect a selective devaluation. For the purposes of the Scheme imports were divided into two categories. Those in the first (foodstuffs, drugs, fertilizers, fuels, lubricants and imports of Government Departments) were exempted from the need to surrender F.E.E.C's which would have increased their cost in rupee terms by about 45 per cent, though in the case of some items reduction of import duty moderated this cost. In the second category were placed about 300 items which could be imported under O.G.L. (but subject to F.E.E.C.). All other imports besides being subject to F.E.E.C's required licences issued by the Controller of Imports and Exports or the Ministry of Industries and Fisheries. Imports from Loan Agreement areas were free of F.E.E.C's but were subject to 20 per cent duty. World Bank lines of credit were exempted from the necessity to produce Entitlement Certificates when used for imports, but were subject to a 20 per cent licence fee. Other licence fees were abolished.

The trade pact with China was renewed in November 1967 for a further period of five years. Under it, Ceylon was committed to supply China in 1968 with 78,000 metric tons of sheet rubber and other commodities, while China undertook to supply Ceylon with 200,000 metric tons of rice. For 1969, Ceylon is to buy the same quantity of rice and sell 62,000 tons of rubber. The rice price works out at a little over £51 a ton and the rubber price is, as previously, based on the Singapore price, with China paying 5 cents/lb as handling charges and another 2 cents/lb for rubber of ribbed smoked sheet No. 1 quality.

Imports into Ceylon

Rs million

	Food	*Basic materials and base metals*	*Mineral fuels and lubricants*	*Machinery and transport equipment*	*Other manufactures*
1964 ..	1,011	120	106	192	539
1965 ..	597	111	120	177	462
1966 ..	957	110	136	263	551
1967 ..	785	112	123	251	452
Jan.–Sept.					
1967 ..	643	90	103	194	339
1968 ..	825	93	138	206	401

The value of imports recorded by the Customs in the first three quarters of 1968 rose substantially, in contrast to the declining value for the comparable period of 1967. The increase reflected the effects of rupee devaluation, relaxation of Customs duties in mid-1967 on goods necessary for the programme of industrialisation, to a less extent the introduction of the Foreign Exchange Entitlement Certificate Scheme, and increased clearances of foodstuffs such as sugar and wheat flour as well as, in particular, rice.

TABLE 30

IMPORTS INTO CEYLON

Rs million

	1964	1965	1966	1967	1968*a*
United Kingdom	321	263	339	272	308
Australia..	121	94	99	111	134
India	175	134	135	123	211
Pakistan	33	46	85	34	48
Other Commonwealth	75	50	72	74	75
United States	53	56	80	108	171
France	54	41	37	51	48
West Germany	66	47	74	94	106
Italy	21	26	38	70	46
Netherlands	51	47	55	41	34
Iran	29	20	29	24	59
Burma	202	74	175	63	71
China	204	114	217	185	275
Japan	134	111	123	97	112
Thailand	23	29	80	56	123
Poland	46	34	32	10	38
Soviet Union	69	100	116	110	94
Other countries	297	186	238	211	271
Total all countries ..	1,974	1,472	2,024	1,734	2,224
Of which:					
Commonwealth	725	587	730	614	776
E.E.C.	218	179	220	267	252
EFTA (Continental) ..	42	30	42	40	19
Eastern Europe	157	173	200	156	177

a Annual rates based on latest data.

The rupee value of rice imports from China, Cambodia and Thailand almost doubled, reflecting some increase in stocks and supplies for the Government's self-sufficiency and free-distribution schemes. Smaller increases were attributable to processed milk from Australia and Britain, to refined sugar from Poland, and wheaten flour from U.S.A.

Imports of "reserved items" (including rice, wheat and wheaten flour, sugar, red onions, Maldive fish, dried fish, cumin seed, lentils, dhal, cement, fodder, caustic soda, cotton yarn, petroleum products, textiles and manufactures of textile materials) are restricted to Government Departments or state corporations, the Co-operative Wholesale Establishment, or Lanka Salu Sala Ltd. Most imports are subject to Customs surcharges covered by a GATT waiver originally granted in January 1967. The waiver expired at the end of December 1968 but the Contracting Parties extended the waiver for two more years and granted additional product coverage as requested.

The World Bank, in a report on the economy of Ceylon published in March 1968, stated that "since 1965 a holding operation has been transformed into a growth effort . . . . in spite of a continuing decline of export prices and delays in the arrival of aid-financed goods which did not start to flow in large quantities until 1967." Fluctuations in the year to year volume of aid-financed imports from individual countries have an important bearing on movements in the market shares of these countries.

MALAYSIA

After the slow-down in economic activity experienced in 1967, the economy recovered steadily during 1968, particularly in the second half of the year with the recovery in external demand for many of the country's principal commodities (especially rubber). Preliminary estimates indicated a growth rate of 5 per cent in G.N.P., which might have been considerably higher had export prices been more favourable during the earlier months of the year. However, following the recovery in external demand in the second and third quarters of the year, primary production expanded rapidly; in quantities, rubber output rose by 8 per cent, tin by 6 per cent, saw logs and sawn timber by 30 per cent and 13 per cent and palm oil and palm kernels by 30 per cent and 25 per cent respectively; so that, for the first three quarters of 1968, despite lower unit values for export of rubber, tin, iron ore and palm oil (together accounting for 60 per cent of all exports), the value of total exports rose by 6 per cent. In the manufacturing sector output also expanded, partly as a result of the establishment of a large number of new firms, many of which were set up under the Investment Incentives Act (which became operative in January 1968), offering tax incentives, tariff protection and duty concessions to new industries of 'pioneer' status. New industries set up during the year included five motor vehicle assembly plants, assembly plants for bicycles, scooters and agricultural implements, and factories manufacturing iron pipes, cables, textiles, heavy tyres and electrical household appliances.

At the end of February 1969 the Malaysian Parliament passed an Investment Incentives Bill to extend the maximum period of tax relief for pioneer companies from five to eight years, while industry was more widely defined to include any kind of commercial undertaking rather than just manufacturing. Other notable changes introduced by the Bill include capital allowances, payroll tax exemption, investment tax credits for companies unable to qualify for pioneer status, export incentives and accelerated depreciation allowances.

While exports rose to a record level during 1968, imports also rose significantly, but at a lower rate, thus giving a substantial surplus on merchandise trade. This surplus, however, was outweighed by a sharp decline in invisible earnings

Malaysia

$ (Malaysian) million

	Exports	*Imports (c.i.f.)*	*Balance of merchandise trade*
1964	3,364	3,215	+149
1965	3,749	3,347	+402
1966	3,809	3,368	+441
1967	3,697	3,312	+385
Jan.–Sept.			
1967	2,828	2,535	+293
1968	2,998	2,633	+365

resulting in a deficit on current account. The deterioration in invisibles was caused by an appreciable increase in remittances sent abroad, a fall in military expenditure following the withdrawal of British defence forces and higher freight and insurance payments arising from higher imports. However, the deficit on current account was off-set by capital inflows, official aid and Government borrowings. During 1968, the Government contracted several foreign loans to finance essential projects including a World Bank loan of $U.S.8 million, an Asian Development Bank loan of $M7 million and a loan from West Germany totalling DM25 million; in May, the British Government agreed to provide an additional £25 million (over 5 years) to off-set the economic impact of the withdrawal of its defence forces by 1971. After allowing for short-term capital movements and adjusting for errors and omissions, the overall balance of payments position was in deficit by $M27 million in 1968, compared with a deficit of $M247 million the year before and $M171 million in 1966.

During the year, steps were taken to increase trade with Indonesia, then running well below the pre-confrontation level, by setting up a joint commission to implement the "basic trade and economic relations arrangements" signed in May 1967. In the same month of 1968 preliminary discussions were held with the E.E.C. to consider some form of closer relations.

Exports from Malaysia

$ (Malaysian) million

	Rubber	*Tin*	*Vegetable oils*	*Iron ore*	*Timber*	*Petroleum and petroleum products*	*Oil seeds and nuts*	*Coffee, tea, cocoa and spices*
1964 ..	1,399	723	95	163	296	226	26	40
1965 ..	1,464	866	126	161	360	243	33	56
1966 ..	1,476	792	142	136	468	274	33	49
1967 ..	1,271	744	141	122	581	289	15	59
Jan.–Sept.								
1967 ..	1,001	564	105	90	429	..	10·4	..
1968 ..	952	604	128	95	530	..	16·9	..

Malaysia's principal exports showed varying increases over the previous year, with the exception of rubber. The depressed rubber prices prevailing in 1967 continued into the early months of 1968, with February experiencing the lowest price since September 1949, when 43·5c. a pound for R.S.S. No. 1 rubber was recorded; but, with the recovery in external demand, prices picked up towards the end of May and from mid-July until the end of September the daily spot-price continued above 54c. a pound. During the January-September period, despite a 7 per cent increase in the volume of rubber exports, resulting from higher purchases by major industrialised countries (especially the United States) and larger off-takes by the Soviet Union and China, the value of rubber exports actually declined (by 5 per cent) owing to the fall in unit value, which averaged 50·8c. a pound compared with 57·2c. per pound in the same period of 1967.

Prices firmed markedly in the last quarter of 1968 and the early months of 1969. In mid-March, 1969, the buyers' price of No. 1 R.S.S. for April delivery reached 73c. a pound, the highest level since mid-June 1965.

The rise in tin exports was attributable to the 15 per cent increase in volume exported, chiefly to the United States and the Netherlands; greater quantities, however, were largely offset by the consistently low prices for tin ruling since August 1967, when the Tin Buffer Stocks Manager frequently had to support the market near the floor of £1,280 per ton. By September the International Tin Council decided to impose export controls until the end of the year, Malaysia's quota being 47·2 per cent of the total, which was 4·5 percentage points below Malaysia's share of the trade in 1967.

Timber exports rose substantially during the first nine months of 1968, resulting from a sharp increase in volume coupled with stable prices for saw logs and a substantial increase in prices for sawn timber. In the Budget presented to Parliament in January 1969 the Finance Minister, while reviewing estimated revenue from export duties, said that Malaysia was probably the world's largest exporter of tropical hardwoods. On the basis of present trends, he said, earnings

TABLE 31

EXPORTS FROM MALAYSIA

$ (Malaysian) million

	1964	1965	1966	1967	1968*a*
United Kingdom	303	272	266	234	270
Canada	78	87	81	65	84
Australia	98	105	84	116	125
New Zealand	13	25	21	22	13
India	68	64	46	37	28
Pakistan	9	7	12	6	4
Singapore	761	896	940	839	825
Brunei	18	8	11	15	21
Hong Kong	38	33	39	33	37
Other Commonwealth	6	8	6	18	8
United States	414	557	481	520	612
Belgium	22	20	26	25	20
France	86	85	91	76	65
West Germany	134	116	85	76	86
Italy	104	109	120	104	110
Netherlands	46	61	74	57	82
Denmark	5	5	4	4	4
Sweden	19	18	15	19	15
Soviet Union	127	226	248	196	184
Poland	35	38	35	30	40
China	1	4	4	20	92
Japan	586	591	696	755	778
Philippines	62	80	54	27	11
Thailand	30	34	39	33	30
Other countries	301	300	331	370	427
Total all countries	3,364	3,749	3,809	3,697	3,971
Of which:					
Commonwealth	1,392	1,505	1,506	1,385	1,415
E.E.C.	393	391	395	337	363
EFTA (Continental)	32	30	27	31	26
Eastern Europe	184	271	295	233	277

a Annual rates based on latest data.

from timber exports would probably reach $M760 million in 1969, which would amount to close on a fifth of total exports. In the latter half of 1968 timber exports from West Malaysia and Sarawak were running at annual rates of about $M200 million each while shipments from Sabah exceeded the $M300 million rate. Heavy demand has been felt from Japan and South Korea and indeed, exports of timber to these countries provide much the greater part of the foreign exchange earnings of Sabah. The extent of timber reserves in Sarawak is largely a matter of guesswork but full information on the total stocks workable should become known after the United Nations survey in 1969.

Switching out of rubber and into oil palms continued in 1968 to the extent that Malaysia is now the world's largest producer of palm oil, accounting for over a quarter of world output. Unfortunately, although the volume of palm oil exported showed a remarkable increase of 41 per cent during the year, much of the potential gain was eroded by a serious fall in prices to 40 per cent below the peak of 1966. The value of exports of palm kernels, however, doubled in 1968.

Although the volume of iron ore exports rose by 12 per cent in the first three quarters of the year, the unit value declined markedly so that export earnings rose by only 5 per cent, compared with 1967, and with the gradual exhaustion of good quality ores and reduced demand from Japan, the total for the year was expected to be somewhat below that of 1967.

Japan, the United States, and the United Kingdom increased their total off-take in 1968 largely as a result of larger shipments of rubber, reflecting both recovery in demand together with the improved access to these markets afforded by the Kennedy Round. Exports from Malaysia to other important but smaller markets also rose markedly, the expansion of recorded shipments direct to China being among the most interesting. These gains, however, were offset somewhat by lower exports to the Soviet Union, while exports to Singapore continued to fall owing to more goods being exported direct from Malaysia consequent upon the development of Malaysian ports and the influence of changes in recent years in the export and import tariffs.

Imports into Malaysia

$ (Malaysian) million

	Food	*Basic materials and base metals*	*Mineral fuels and lubricants*	*Machinery and transport equipment*	*Other manufactures*
1964	836	398	364	635	815
1965	750	421	388	729	873
1966	748	357	437	800	871
1967	764	369	446	727	849
Jan.–Sept.					
1967	595	139	327	579	767
1968	583	208	383	590	757

The 4 per cent growth in imports in the first three-quarters of 1968 largely resulted from significant increases in the value of clearances of basic materials and base metals, and mineral fuels and lubricants, notably rubber, tin and crude petroleum for processing and re-export. Machinery and transport equipment showed a slight increase over the previous year, partly associated with the increase in manufacturing activity. However food imports declined noticeably over the period, partly reflecting higher domestic production (particularly of rice), while the appreciable reduction in the "other manufactures" category arose to a large extent from lower imports of chemicals.

Higher totals were recorded in 1968 for the value of imports from each of the developed Commonwealth countries, as well as for the crude oil imports from Brunei. However, imports from Singapore, Hong Kong and India continued on

TABLE 32

IMPORTS INTO MALAYSIA

$ (Malaysian) million

	1964	1965	1966	1967	1968a
United Kingdom	601	656	630	491	508
Canada	14	14	29	29	31
Australia	167	183	188	216	262
New Zealand	12	16	25	31	36
India	64	57	58	49	41
Singapore	326	370	389	314	298
Hong Kong	137	134	107	101	80
Brunei	183	193	215	239	271
Other Commonwealth	37	45	44	24	24
United States	184	196	206	215	232
Belgium	26	31	27	24	20
France	34	38	40	41	37
West Germany	117	140	142	153	153
Italy	29	31	41	44	40
Netherlands	65	63	58	40	46
Denmark	16	16	19	17	14
Switzerland	9	11	14	12	13
China	224	229	240	266	241
Japan	309	344	406	431	456
Indonesia	53	11	20	100	111
Thailand	314	302	208	208	214
Other countries	294	267	262	267	382
Total all countries	3,215	3,347	3,368	3,312	3,510
Of which:					
Commonwealth	1,541	1,668	1,685	1,494	1,551
E.E.C.	270	303	307	303	295
EFTA (Continental)	45	54	67	66	62
Eastern Europe	11	15	14	17	23

a Annual rates based on latest data.

a downward trend, reflecting the effects of policy implementation for industralisation in Malaysia. Imports from China also fell, but higher clearances were registered for Japan, the United States, West Germany and the Netherlands.

Tariffs and import controls of the various parts of Malaysia have not as yet been unified. Imports into all parts of Malaysia of certain categories of textiles, household articles, steel goods and bicycles from China are prohibited. In respect of West Malaysia, imports of rice from any country are conditional on the importer purchasing one ton of rice from the government reserve stockpile for every ton imported; imports of wheat flour and rice bran from all sources and imports of sugar are subject to quantitative restrictions for protective reasons; those of wheat flour are prohibited in principle. Practically all imports into Malaysia (including Penang but excluding Labuan) are subject to a 2 per cent surtax on c.i.f. value, unless they are intended for re-export after processing. In the Budget presented to Parliament in January 1969 the Finance Minister sought an extra $M14 million revenue, of which $M6 million was estimated to be raised by higher import duties on fruits such as oranges, tangerines, apples, grapes and pears; brazil and cashew nuts, and groundnuts; and jam and fruit juices.

SINGAPORE

The economy expanded rapidly during the first nine months of 1968 and preliminary estimates for the year indicated a growth rate of almost 8 per cent in the national product. There was an upsurge in trade associated with rapid industrial expansion, and a level of investment running 17 per cent above that of the previous year. Entrepot trade continued to expand, the tonnage of freight discharged and loaded at the port increasing by 17 per cent over the previous year. The expansion of industrial production, which rose by 14 per cent, was assisted by the establishment of a large number of new firms, most of which took advantage of the "pioneer industry" legislation offering fiscal incentives. Many of these firms were developed by capital from Hong Kong following the 1967 political disturbances there. However, it is expected that much of the future industrial capital requirements of the Republic will be supplied by American companies planning to use Singapore as a distribution and assembly base for the region. New projects to be implemented include the establishment of a fourth oil refinery and the development of petro-chemicals, electronic components and electrical appliances, shipbuilding and repairs, steel, paper and pulp, fertilizers, engines, machine tools, farm implements and clock-making.

To strengthen the industrial programme, three new institutions were set up during the year (replacing the Economic Development Board). These included a Development Bank to finance manufacturing enterprises and tourist and estate projects; the Jurong Town Corporation, which will own and manage the Jurong and six other industrial estates, possessing about 300 factories; and an International Trading Corporation (INTRACO) with shares held by the private sector, Government and the Development Bank, to promote Singapore's exports on world markets.

This industrialisation is taking place in the face of the imminent withdrawal of British defence forces, on which the economy has long been heavily dependent; a total of 27,300 workers will need to be re-deployed before 1971 and the present unemployment rate is already around 10 per cent. The British Government in 1968 provided an additional £50 million to cover the withdrawal period, while the 1969 Singapore budget provided for a trebling of its defence expenditure, which is expected to be financed partly by aid, overseas borrowing, investment and higher taxation.

Singapore

$ (Singapore) million

	Exports and re-exports (f.o.b.)	*Imports (c.i.f.)*	*Balance of merchandise trade*
1964	2,594	3,434	−840
1965	2,792	3,755	−963
1966	3,147	4,014	−867
1967	3,454	4,359	−905
Jan.–Sept.			
1967	2,598	3,273	−674
1968	2,887	3,830	−943

During the first three-quarters of 1968, exports increased by 11 per cent compared with an increase in imports of 17 per cent. This upsurge in trade resulted not only from the expansion in Singapore's economy, but also from a continuing rise in trade with Indonesia, which was estimated to be running above the pre-confrontation level, and from a steady increase in trade with the United States, Japan and South Vietnam (mainly U.S. procurement agency purchases). Despite the continued withdrawal of British Defence forces, the deficit on merchandise trade is expected to be more than outweighed by capital inflows and invisible earnings, to which tourism has been making a rapid and valuable contribution, arrivals for 1968 being 25 per cent higher than in the preceding year.

Exports from Singapore

$ (Singapore) million

	Food	*Crude rubber*	*Mineral fuels and lubricants*	*Machinery and transport equipment*	*Other manufactures*
1964	421	653	362	284	592
1965	436	677	431	315	619
1966	463	769	594	320	650
1967	519	765	677	271	635
Jan.–July					
1967	276	449	384	160	357
1968	298	445	467	163	408

TABLE 33

EXPORTS FROM SINGAPORE

$ (Singapore) million

	1964	1965	1966	1967	1968*a*
United Kingdom	141	141	128	200	244
Canada	26	27	34	34	*b*
Australia..	71	84	63	69	85
New Zealand	36	31	28	28	31
India	20	20	21	19	18
Malaysia	1,153	1,215	1,190	1,092	1,053
Hong Kong	148	122	111	114	138
Other Commonwealth	98	100	144	137	178
United States	107	110	146	241	313
France	46	43	59	55	58
West Germany	46	55	46	53	83
Italy	35	40	38	55	43
Netherlands	14	18	35	62	71
Sweden	8	8	7	11	12
Soviet Union	74	125	109	90	92
Poland	11	9	9	9	9
China	1	22	137	96	80
Japan	78	97	107	155	257
Indonesia	..	..	..	..	..
Philippines	12	13	15	17	19
South Africa	40	45	45	45	53
Other countries	429	467*c*	675*c*	872*c*	1,012*c*
Total all countries *d* ..	2,594	2,792	3,147	3,454	3,849
Of which:					
Commonwealth	1,693	1,740	1,719	1,693	1,747
E.E.C.	149	163	186	251	285
EFTA (Continental) ..	18	17	17	57	60
Eastern Europe	123	169	147	130	135

a Annual rates based on latest data.

b Included, if any, in "Other Commonwealth".

c South Vietnam $S110 million in 1965, $S256 million in 1966 and $S305 million in 1967 Official statistics do not include any item of trade with Indonesia.

d Excluding Indonesia.

The steep rise in exports up to July was achieved in spite of lower rubber prices during the first half of the year, although these prices rose substantially in the second half of the year following the recovery in American and Western European demand. As in previous years, a large proportion of Singapore's exports were made up of re-exports (e.g. rubber, tin, sawn timber and petroleum), but domestic exports also increased in line with expansion in the domestic economy. The main increase in exports and re-exports occurred in mineral fuels and lubricants, consisting mainly of motor and aviation fuel destined for military use in South Vietnam. The second largest increase was registered in "other manufactures", resulting mainly from larger exports of clothing and textiles. The increase in food exports resulted to a large extent from increased sales of unroasted coffee and of coconut oil (reflecting average price increases for coconut oil over the period). Exports and re-exports of sawn timber also showed a significant rise, but exports of machinery and transport equipment registered only a slight increase over the previous year.

The most substantial increases in Singapore's exports occurred in trade with Indonesia, which to a large extent was offset by the shortfalls in trade with Malaysia; exports to Indonesia were currently estimated at around $S40 million a month, which was well above the pre-confrontation level. Similar sharp increases occurred in trade with Japan and the United States (mainly crude rubber), and to a less extent with Britain (rubber, palm oil and canned pineapples). Exports to other important markets such as Hong Kong, Australia and Russia remained buoyant over the period. Although Malaysia remained the country's largest market, exports to that country declined since the end of 1965 and decreased further in 1968; this was the result of Malaysia's efforts to develop its own ports and the imposition of quota and tariff restrictions on imports from Singapore. Exports to China also registered an appreciable fall, in spite of the sharp increase in imports from that country over the period.

Imports into Singapore

$ (Singapore) million

	Food	*Crude rubber*	*Mineral fuels and lubricants*	*Machinery and transport equipment*	*Other manufactures*
1964	705	501	470	495	1,002
1965	743	556	508	550	1,095
1966	770	586	621	556	1,154
1967	812	457	739	579	1,417
Jan.–July					
1967	495	285	422	327	774
1968	572	223	511	446	951

The main component of the rise in imports during the first seven months of 1968 was the increase in the "Other manufactures" category, with imports of textiles and clothing, iron and steel plates, cement, batteries and paints all significantly higher. In December 1968, import duties on made-up garments were introduced for the first time to provide a measure of import saving and to protect the local industry. This should have some effect on the level of future imports. The value of machinery and transport equipment increased substantially, largely associated with the expansion in industrial activity. The value of imports of mineral fuels and lubricants, which are largely processed and re-exported, also rose significantly as did food imports, with larger consignments of rice, sugar, canned pineapples, coffee and coconut-oil more than offsetting smaller imports of fresh fruit and vegetables, pepper and dried fish. Imports of crude rubber continued to decline mainly due to Malaysia exporting more of its produce directly and to the lower average prices experienced in the first half of the year.

TABLE 34

IMPORTS INTO SINGAPORE

$ (Singapore) million

	1964	1965	1966	1967	1968*a*
United Kingdom	338	393	382	337	422
Australia	155	162	186	193	227
India	101	57	55	53	54
Malaysia	972	1,104	1,162	1,065	1,062
Hong Kong	110	109	111	124	140
Other Commonwealth	80	72	69	111	117
United States	189	188	207	242	344
France	31	39	35	41	42
West Germany	90	103	110	127	124
Italy	27	35	33	43	61
Netherlands	61	49	76	76	85
Switzerland	48	47	43	63	*b*
China	196	224	272	386	476
Japan	359	418	462	546	652
Indonesia	..	..	..	..	..
Thailand	130	147	161	145	156
Other countries	547	608	650	807	1,145
Total all countries *c*	3,434	3,755	4,014	4,359	5,107
Of which:					
Commonwealth	1,756	1,897	1,965	1,883	2,022
E.E.C.	225	247	271	305	335
EFTA (Continental)	90	91	87	145	131
Eastern Europe	23	21	19	38	40

a Annual rates based on latest data.

b Included, if any, in "Other countries".

c Excluding Indonesia.

The most marked growth in imports occurred in those from the United States and China, reflecting substantial increases in machinery, textiles and other manufactured goods from the former, and in rice, sugar and textiles from the latter. Japan's share of the market showed a significant increase with higher deliveries of textiles, steel and electrical goods, while imports from the United Kingdom also showed a strong recovery over the previous year with higher purchases of machinery and transport equipment. Imports from Malaysia, however, continued to decline following lower purchases of Malaysian rubber.

HONG KONG

After a hesitant start, economic activity picked up rapidly in 1968, following a year marked by the repercussions of the "cultural revolution" in the Peoples Republic of China and the withdrawal of quite substantial funds from the Colony by "overseas Chinese." Following a 13 per cent decline in 1967, a recovery in the level of bank deposits was completed by the end of May 1968: by December they were some 20 per cent higher than the corresponding year-ago level. Despite lingering doubts concerning the future of long-term investment, and the continuation of relatively slack conditions in building and civil engineering, an export-led boom ensured continuing growth in the majority of basic industries.

The economy of Hong Kong relies almost entirely on international trade, shipping, financial services and tourism. Imports are vital for feeding its people and for supplying its industry. Ninety per cent of industrial production is exported and domestic exports account for three-quarters of total exports. From the year 1959 (i.e. since official statistics have distinguished exports and re-exports systematically) up to 1967, the average annual rate of increase for domestic exports was 24 per cent, for total exports 21 per cent, and for bank deposits 37 per cent. In 1968 imports, exports and the trade deficit went up by a fifth, or by rather less if allowance is made for the 5·7 per cent devaluation of the Hong Kong dollar towards the end of 1967. A 26 per cent rise in domestic exports (compared with 17 per cent in 1967) was offset to some extent by the slower growth of re-exports (in consequence of which the ratio of re-exports to total exports fell from 24 per cent in 1967 to 20 per cent in 1968). However, there was a marked expansion of tourism, receipts from which, together with banking transactions and personal remittances, were expected to offset current items in deficit on the balance of payments.

Exports from Hong Kong

$HK million

	Exports (f.o.b.) Total	of which re-exports	Domestic exports (f.o.b.) Total	Textiles	Clothing	Other manufactures
1964 ..	5,784	1,356	4,428	707	1,620	1,760
1965 ..	6,530	1,503	5,027	834	1,773	2,086
1966 ..	7,563	1,833	5,730	921	2,035	2,449
1967 ..	8,781	2,081	6,700	936	2,317	3,114
1968 ..	10,570	2,142	8,428	1,035	3,014	3,998

Clothing continued to be the largest single export item and made the largest contribution in absolute terms to export growth in 1968. Since 1965 exports of clothing have unfailingly supplied about 35 per cent of domestic exports; exports of textiles and clothing as a whole have fallen from 52 per cent to 48 per cent of the total. Diversification is continually under way within the clothing field, into synthetics or beading or high fashion articles, and represents an overall trend towards higher value goods, which go to the United States and other high quality markets. Thus although the exportation of many textiles and garments to specified countries is restricted in accordance with bilateral agreements, "trading-up" on price and quality, as well as the expansion of volume quotas (especially in the United States) have each contributed to the growth of sales in recent years.

As a group, the vast range of miscellaneous manufactured items made a greater contribution to export growth in 1968 than textiles and clothing as a whole. Rapid and consistent growth has been shown in recent years by toys and games, a category largely composed of plastics, by telecommunications apparatus (chiefly transistor radios), and by "other electrical machinery and apparatus" (chiefly transistors and a variety of other electrical goods and parts). Cutlery, wigs, photographic and optical goods, watches, travel goods and footwear are other miscellaneous items that have done well.

An outstanding feature of the geographic pattern of exports from Hong Kong is the steadily rising trend in the share taken by the United States, which rose uninterruptedly from 28 per cent of domestic exports in 1964 to 38 per cent in 1968. The share of domestic exports taken by Britain fell from 22 per cent in 1964 to 16 per cent in the following year, where it has since remained. With a surge in the value of domestic exports to Canada in 1968, following a commercial accord between the two countries, the share of the Commonwealth as a whole showed an increase of 3 per cent to 28 per cent compared with 1967. Domestic exports to Japan, the largest market after the United States and Britain, rose from $HK119 million in 1964 to $HK232 million in 1968. On the same basis of comparison domestic exports to the Persian Gulf states went up from $HK31 million to $HK92 million and to Sweden from $HK78 million to $HK152 million. Since 1964, all these countries have taken a steadily growing proportion of the total value of domestic exports from Hong Kong.

Textile quota negotiations with Canada and Benelux countries were conducted amicably during the course of 1968, but those with Sweden and Norway were more complicated in view of the proposed imposition of restrictions on the whole range of textile products from the Colony, including non-cotton items.

The slowing down in the expansion of re-exports in 1968 was largely on account of greatly reduced re-exports of textile fabrics. There were also falls in the value of re-exported non-metallic mineral manufactures, crude and synthetic rubber, iron, steel and scrap, paper and paper board, essential oils and fish products. Classified by destination, re-exports to most individual countries went up substantially, especially to Japan and Singapore, but these were offset by a decrease of about a third in re-exports of Chinese goods, predominantly textiles, to Indonesia, which is attempting to eliminate Hong Kong and Singapore as sources of supply. The Indonesian Government drafted a plan to reduce imports of finished products progressively until self-sufficiency in textiles was

TABLE 35

EXPORTS FROM HONG KONG

$HK million

	1964	1965	1966	1967	1968
United Kingdom	1,023	908	1,017	1,178	1,407
Canada	128	153	193	238	307
Australia	141	171	166	240	292
New Zealand	64	76	69	77	95
Malaysia	272	248	206	168	172
Singapore	340	349	366	364	444
Nigeria	54	58	44	97	67
Other Commonwealth	227	230	260	258	272
United States	1,274	1,805	2,141	2,633	3,623
West Germany	303	391	434	386	517
Netherlands	61	94	131	116	128
Belgium	39	70	89	96	93
Italy	62	62	61	51	50
Sweden	79	88	90	141	155
China	60	72	69	48	45
Japan	318	388	440	504	584
Indonesia	260	186	445	630	442
Macao	89	85	90	78	82
Philippines	64	64	77	114	124
Taiwan	70	86	97	131	165
Thailand	127	138	134	142	156
South Africa	63	78	57	78	94
Other countries	666	730	887	1,013	1,254
Total all countries	5,784	6,530	7,563	8,781	10,570
Of which:					
Commonwealth	2,249	2,193	2,321	2,620	3,056
E.E.C.	489	644	758	695	732
EFTA (Continental)	185	200	239	346	348
Eastern Europe	1	1	—	1	1

achieved. However, even at the reduced level obtaining in 1968, re-exports to Indonesia accounted for over three times the value of domestic exports thereto and 16 per cent of re-exports to all destinations. A feature of the re-export trade of Hong Kong is the high proportion, 65–70 per cent, directed to other markets in Asia, and the influence on this trade of the fluctuating state of diplomatic relations between many countries within the continent.

While part of the substantial rise in imports may be attributed to the 5·7 per cent devaluation of the Hong Kong dollar, this detracts little from the 38 per cent increase in clearances of textile fibres and manufactures. Non-metallic

Imports into Hong Kong

$HK million

	Total (c.i.f.)	*Food*	*Machinery and transport equipment*	*Textile fibres and manufactures*	*Metals and metal manufactures*	*Balance of merchandise trade*
1964 ..	8,551	2,012	1,024	1,967	563	−2,767
1965 ..	8,965	2,042	1,177	1,843	578	−2,435
1966 ..	10,097	2,216	1,310	2,292	537	−2,534
1967 ..	10,449	2,329	1,347	2,141	504	−1,668
1968 ..	12,472	2,468	1,604	2,948	556	−1,902

TABLE 36

IMPORTS INTO HONG KONG

$HK million

	1964	1965	1966	1967	1968
United Kingdom	838	962	1,011	984	1,083
Canada	119	92	86	85	101
Australia..	229	199	209	261	312
India	50	54	49	50	72
Pakistan	177	115	139	190	301
Malaysia	90	64	62	59	72
Singapore	254	238	200	233	266
Tanzania..	59	67	99	79	106
Other Commonwealth	101	83	90	103	84
United States	983	994	1,090	1,411	1,727
Belgium	95	145	190	165	209
France	72	73	73	92	115
West Germany	247	276	269	316	402
Italy	165	152	123	127	148
Netherlands	137	123	137	146	162
Switzerland	174	188	202	247	266
China	1,970	2,322	2,769	2,282	2,429
Japan	1,549	1,551	1,839	1,995	2,717
Indonesia	71	89	135	105	96
Cambodia	52	47	31	86	51
Taiwan	178	154	169	260	413
Thailand	267	239	267	329	269
Brazil	73	100	109	49	66
Other countries	601	638	749	795	1,004
Total all countries.. ..	8,551	8,965	10,097	10,449	12,472
Of which:					
Commonwealth	1,917	1,874	1,945	2,044	2,398
E.E.C.	716	768	791	849	1,036
EFTA (Continental) ..	264	267	275	342	386
Eastern Europe	29	29	32	26	56

mineral manufactures (mainly basic construction materials), petroleum and petroleum products, plastics materials, chemical elements and dyeing and colouring materials largely used in connection with Hong Kong's industries also recorded sharp gains. Capital goods, such as electrical machinery and appliances, scientific, optical and medical instruments, textile machinery and transport equipment were among other items for which notable advances were shown, but there were appreciable decreases in the value of imports of iron, steel and metal manufactures, and to a less extent in crude rubber and cereals.

Despite some recovery in imports from China, Japan replaced that country as the Colony's largest supplier, with increased consignments of all major items (textiles, electrical machinery, professional, scientific and controlling instruments and plastics). China, as the second largest supplier, remained the main source of the Colony's food supply, lower clearances of live animals and cereals being offset by greater values of all other foodstuffs, particularly fruit and vegetables, meat, fish and sugar. Prices of fish and vegetables, in particular, were raised owing to shortages of supply, so that foodstuffs represented nearly 52 per cent of the total value of Chinese sales to Hong Kong as against 49 per cent in 1967. The United States increased its share in the market whereas Britain's share dropped slightly, especially in the electrical machinery, appliances and transport equipment categories. Among the smaller supplying countries, imports from Taiwan (textiles), Australia, Pakistan (raw cotton and cotton yarn and thread), Singapore and the Middle East (petroleum) advanced significantly. Supplies from Commonwealth countries as a whole took between 19 and 20 per cent of the import market in Hong Kong in 1968, the same as in the preceding year.

GHANA

Mainly due to higher prices for cocoa, the crop which accounts for two-thirds or more of Ghana's total export proceeds, and aided by a 30 per cent devaluation of the New Cedi in July 1967, the country's exports forged ahead so that by July 1968 the cumulative total for the calendar year, expressed in local currency, was already well above that for the whole of the preceding year. The recorded value of imports, also, was affected by alteration of the par rate of exchange, but provisional figures for the whole of 1968 nevertheless showed a gross trade surplus, including gold, amounting to N₵29 million—a swing of N₵46 million from the deficit of the previous year.

Ghana

New Cedi million

	Merchandise exports	*Gold exports*	*Imports (c.i.f.)*	*Balance of merchandise trade*
1964 ..	207	20	243	− 36
1965 ..	206	19	318	−112
1966 ..	172	17	251	− 79
1967 ..	218	27	261	− 43
1968 ..	341*a*	..	312	..

a Including gold.

External aid was made available from various sources in 1968, starting with a new PL 480 agreement with the U.S.A. in January. Later in the year the Italian Government provided credit facilities amounting to N₵9·8 million. Loan commitments totalling over N₵9 million came from Britain and over N₵15 million from the United States. West Germany extended a long-term loan of N₵6·25 million and the IMF agreed to another standby credit. Canada arranged provision of food aid to the value of N₵2 million, plus a N₵2 million grant-in-aid mainly to provide technical assistance. In all, Ghana received over N₵70 million of aid from friendly countries and international organisations during the year.

Between February 1966 and April 1968 the national debt held abroad rose from $U.S.520·3 million to $U.S.651·9 million, but the pressure of debt service charges on the balance of payments, in terms of foreign exchange, was halved as a result of a series of bilateral arrangements for the rescheduling of debt. The internal, budgetary implications of servicing official debt designated in external currencies other than sterling were among the more important reasons for maintaining the exchange parity with the United States dollar and most European currencies in November 1967. Further deferment of repayment of some $U.S.360 million of medium and long term debts was discussed at a meeting with Western creditors in October 1968—after which it was reported that debts already deferred at meetings in May and December 1966 had been rescheduled so as to limit, for the next three years, annual repayments due from Ghana to an amount not exceeding $U.S.24 million.

By March 1968 the Commissioner of Finance was able to announce that the national finances, which had been chronically in deficit, had been brought into balance. By mid-year the performance of the economy indicated that recovery was well on the way, although curtailment of expenditure at home and abroad was still very necessary. In June 1968 the Ministry of Industries recalled all specific licences already issued to importers for the current calendar year, for endorsement at 90 per cent of their value and with no automatic carry-over of utilization into 1969. From January 1969 liberalization of import controls was announced and a significant group of imports previously requiring specific licences was moved into the schedule covered by open general licence. With effect from 13 February 1969 a 5 per cent surcharge on goods imported under O.G.L. was imposed, but the new tax was to be calculated on the c.i.f. value of goods only, and was to be paid at the time of collection of the goods at ports (in addition to duty and sales tax already levied). Many imports had previously been subject to a levy of 11·5 per cent on the combined c.i.f. value, import duty and other import charges.

Exports from Ghana

New Cedi million

	Cocoa	*Timber*	*Bauxite*	*Manganese ore*	*Diamonds*
1964	146	29	2	8	12
1965	149	25	2	9	13
1966	117	21	2	12	11
1967	156	22	2	9	13
Jan.–Aug.					
1967	114	13	1·0	6·9	6·8
1968	173	21	1·3	7·3	10·8

Production of cocoa in Ghana in the 1967–68 season recovered from the 1966–67 fall and exceeded the 410,000 tons figure of 1965–66 by 5,000 tons, but forecasts for the main crop of 1968–69 were down because of incidence of black pod and excessive rain. Speculation over the size of the 1968–69 main crops in West Africa and reports of a large deficit in world supplies, coupled with the well-sold position of the Cocoa Marketing Boards, led to sharp increases in prices. The spot Ghana price on the London market averaged 330s 10d per cwt in September, 374s in October and 440s 4d in November 1968. On the 18th November the spot Ghana price reached a peak of 458s 9d, the highest sterling level since 1954. Despite a decline of about 32,000 tons in shipments to the Soviet Union and substantial falls in consignments to Poland, East Germany, Hungary and the Irish Republic the volume of cocoa exports from Ghana in the first

10 months of the year was some 23,000 tons higher than the 288,000 tons shipped in the same period of 1967: lower clearances for Eastern Europe were more than offset by increased shipments to West Germany, the Netherlands, and the United Kingdom. The United States continued as the chief individual market for Ghana cocoa taking 21 per cent of the total by volume; the Commonwealth took 19 per cent and the E.E.C. 31 per cent compared with 16 per cent and 15 per cent a year earlier.

TABLE 37

EXPORTS FROM GHANA

New Cedi million

	1964	1965	1966	1967	1968*a*
United Kingdom	32	27	29	46	62
Canada	4	7	5	4	9
Australia	3	3	3	4	7
Other Commonwealth	3	4	3	5	5
United States	48	35	27	39	65
West Germany	26	22	14	17	34
Italy	10	9	7	5	7
Belgium	7	7	8	5	6
Netherlands	23	23	12	18	35
Soviet Union	12	22	18	19	13
Poland	4	6	3	6	3
Yugoslavia	5	7	5	5	16
Japan	8	5	9	17	22
Other countries	22	29	29	28	30
Total all countries	207	206	172	218	314
Of which:					
Commonwealth	42	41	40	59	83
E.E.C.	67	63	42	48	84
EFTA (Continental)	7	7	7	10	16
Eastern Europe	20	37	31	32	23

a Estimated.

The value of exports of diamonds went up in the first eight months of 1968 due to devaluation in July 1967. Shipments to the United Kingdom and Belgium increased significantly. Exports of other minerals rose less than the depreciation of the currency, in terms of which clearances of manganese ore for Japan and Canada increased. Timber expanded strongly, devaluation opening up a useful competitive margin to arrest the serious inroads made in traditional markets by the Ivory Coast, now the major West African supplier, and to capture markets from Nigeria where the civil war seriously interrupted supplies.

Imports into Ghana

New Cedi million

	Food	*Basic materials and base metals*	*Mineral fuels*	*Machinery and transport equipment*	*Other manufactures*
1964	40	22	14	72	92
1965	35	23	13	106	135
1966	39	17	11	82	97
1967	43	15	15	70	112
Jan.–Aug.					
1967	31	..	10	47	..
1968	31	..	13	54	..

Imports into Ghana went up by a fifth in 1968. This represents approximately no change in terms of U.S. dollars but a sizable increase in terms of sterling. The movement was, however, by any standards much less buoyant than the growth of exports. From January to August 1968, food imports actually declined fractionally in terms of local currency: all other categories rose. Imports from both the United Kingdom and the United States increased, as would be expected from the various aid agreements entered into, but those from Eastern Europe fell.

TABLE 38

IMPORTS INTO GHANA

New Cedi million

	1964	1965	1966	1967	1968*a*
United Kingdom	66	80	72	78	98
Canada	6	6	2	5	7
Other Commonwealth	16	12	9	12	17
United States	22	27	42	43	55
West Germany	26	32	18	25	31
Italy	7	11	8	6	8
Netherlands	12	16	12	13	16
France	8	8	11	8	8
Soviet Union	12	22	14	8	3
Czechoslovakia	7	11	3	3	5
Poland	6	14	5	3	3
Yugoslavia	2	9	5	2	2
China	2	11	6	1	1
Japan	13	14	13	16	18
Upper Volta	5	3	3	3	1
Other countries	33	42	28	35	39
Totall all countries ..	243	318	251	261	312
Of which:					
Commonwealth	88	98	83	95	122
E.E.C.	56	68	53	53	61
EFTA (Continental).. ..	5	7	5	8	13
Eastern Europe	34	64	28	19	17

a Annual rates based on latest data.

NIGERIA

The continued resilience of the Nigerian economy despite the civil strife was shown by the fact that the merchandise trade surplus was maintained in 1968 at about the same level as for 1967. However, the delay in putting the economy on a proper footing meant that the import level had to be severely cut back during 1968 in order to conserve foreign exchange for armaments.

Nigeria

£N million

	Exports (f.o.b.)	*Imports (c.i.f.)*	*Balance of merchandise trade*
1964	211	253	−42
1965	268	275	− 7
1966	284	254	+30
1967	242	224	+18
1968	211	193	+18

Signs that the economic situation was beginning to improve came with the increased production of petroleum oil as operations began in areas that had returned to Federal control. International reserves, although very depleted at the beginning of 1968, were at least stabilised although at a low level. The Central Bank's foreign exchange reserves, which on 30 November 1968 were valued at £N38·7 million, rose to £N39·2 million at the end of January 1969. The reasons for the low level of foreign exchange holdings in 1968 were all due to the civil war; the cost of armaments coupled with the great fall in crude oil exports and the need to import petroleum products formerly refined in the former Eastern Region were the main contributing factors. During the year the I.B.R.D., United States A.I.D., the United Kingdom, Canada, Japan and some Eastern European countries resumed lending to Nigeria.

In January 1968 the first stringent import controls were introduced to supplement the effects of a 5 per cent surcharge on imports and of the small list of prohibited imports announced in October 1967. The new controls meant that specific licences would be required for a large number of commodities formerly imported under open general licence and now regarded as luxury or non-essential items. The list of commodities ranged from passenger cars, textile piece goods, domestic utensils, washing machines and refrigerators to cigarettes, wines and spirits, flour, sugar, confectionery and common and toilet soap. This was followed by a severe Budget announced on April 28th: measures included the raising of the import duty surcharge from 5 per cent to 7½ per cent, the placing of many items previously imported free of duty under a 10 per cent ad valorem duty, while a further lengthy list of imports would require specific licences. Meanwhile the April trade figures showed that the existing restrictions on imports were beginning to produce results. In October 1968 it was announced that the Nigerian Government would not grant further concessions for imports of grey baft or other raw materials for production of printed fabrics. The country would thus save foreign exchange by channelling any new investment in the textile industry to the spinning of items such as grey cloth for printing, synthetic and blended fabrics and other specialised products for which local capacity was still inadequate. At the beginning of 1969 it was indicated that the importation of grey baft would be completely prohibited with effect from 1971, and all mills are now preparing expansion projects with a view to becoming integrated operations.

Exports from Nigeria

£N million

	Cocoa	*Rubber*	*Cotton*	*Oils and oilseeds a*	*Timber*	*Tin*	*Petroleum and petroleum products*
1964	40	12	7	74	8	12	32
1965	43	11	6	88	6	15	68
1966	28	11	3	84	6	15	92
1967	55	6	4	50	4	13	72
1968	52	..	1	58	..	14	37

a Palm kernels, groundnuts, palm oil and groundnut oil.

Total exports from Nigeria fell by 13 per cent in 1968, a slightly lower decline than occurred in 1967. Two categories of exports rose: oils and oilseeds, and tin. In the first category the volume of shipments of groundnut products went up more than enough to offset the fall in prices, so that the value exported rose by £N5·6 million. At the same time a rise in the price of palm kernel exports led to an increase of £N2·4 million, thus offsetting the fall in volume. Exports of tin metal increased by £N0·7 million, despite lower average export prices, due to a rise in quantity exported. After an increase in the first half of the year cocoa exports fell by 5 per cent for the year as a whole, mainly due to adverse weather conditions, but even so the value of total export realisations for this commodity were higher than in any previous year except 1967.

Exports of raw cotton went down by about three-quarters, reflecting both low rainfall and less acreage planted. A substantial increase in producer prices was announced and it was hoped to encourage farmers to grow more good cotton this way, but with the proposed expansion of the Nigerian cotton textile industry exports of raw cotton seem unlikely to expand much in the future. Crude petroleum exports fell by some £N35 million but prospects for this major export improved considerably during the year. By the end of 1968 oil production was increasing rapidly and in December was at the rate of 441,285 barrels a day, compared with 377,000 barrels a day in the preceding month and 57,871 barrels a day in December 1967. In the first nine months of 1968 both rubber and timber exports registered declines, the former on account of labour difficulties as a result of the civil war and the latter on account of adverse weather conditions making transportation difficult. However, by the end of the year the situation had improved for both these commodities.

TABLE 39

EXPORTS FROM NIGERIA

£N million

	1964	1965	1966	1967	1968 *a*
United Kingdom	80	101	105	72	58
Other Commonwealth	8	6	14	9	9
United States	14	26	22	19	14
Belgium	5	8	7	3	5
France	10	18	26	22	12
West Germany	27	28	28	25	16
Italy	8	11	14	14	16
Netherlands	27	32	26	31	21
Other countries	32	39	53	47	60
Total all countries ..	211	268	284	242	211
Of which:					
Commonwealth	88	107	119	83	67
E.E.C.	77	96	101	96	70
EFTA (Continental).. ..	8	12	12*a*	9*a*	7
Eastern Europe	4	10	..	..	..

a Estimated on the basis of data for trading partners.

The decline in exports of petroleum accounted for much of the fall in exports to many of Nigeria's markets. Lower cocoa exports also contributed towards the decline in exports to Japan, Canada, the United Kingdom, and the Netherlands, although shipments of this commodity to West Germany, the Soviet Union and the Irish Republic rose while exports to Hungary, Poland and East Germany were resumed. Reduced exports of rubber and timber also contributed to a lower value of total shipments to the United States. It is estimated that exports to the E.E.C. fell by about a quarter.

Imports into Nigeria

£N million

	Food	*Basic materials and base metals*	*Mineral fuels and lubricants*	*Machinery and transport equipment*	*Other manufactures*
1964	21	25	20	75	108
1965	23	29	17	92	108
1966	20	26	4	95	104
1967	21	..	9	72	..
1968	..	..	..	..	..

Total imports into Nigeria fell by some 14 per cent in 1968. According to data for the first nine months of the year declines were recorded for all categories except mineral fuels, which rose from £N4 million to £N11 million. Comparing the first three-quarters of 1968 with the corresponding period of 1967, imports of manufactures classified by materials and of machinery and transport equipment both declined by some £N17 million, the former to £N38 million and the latter to £N41 million, and chemicals declined by £N1 million to £N16 million. Miscellaneous manufactured articles declined from £N13 million to £N9 million. By November 1968 no specific import licences had been issued and the country was in the grip of severe import shortages. As already mentioned, many items formerly imported under open general licence had been transferred to specific lists: items such as cotton piece goods were scarce because local industry was not yet geared to fulfilling home demand, and stocks of items such as cars, air conditioning equipment and many kinds of imported foodstuffs had been completely exhausted.

TABLE 40

IMPORTS INTO NIGERIA

£N million

	1964	1965	1966	1967	1968 *a*
United Kingdom	78	85	76	65	55
India	4	4	3	3	3
Hong Kong	5	4	2	3	2
Other Commonwealth	7	9	14	7	7
United States	29	33	42	28	25
West Germany	22	30	27	25	23
France	10	12	14	9	7
Italy	13	13	13	11	13
Netherlands	10	10	9	9	7
Norway	5	6	7	5	3
Japan	31	26	14	19	8
Other countries	39	43	33	40	40
Total all countries	253	275	254	224	193
Of which:					
Commonwealth	94	102	95	78	67
E.E.C.	59	68	68	58	55
EFTA (Continental)	11	14	11*a*	10*a*	9
Eastern Europe	7	6	..	..	..

a Estimated on the basis of data for trading partners.

SIERRA LEONE

Following the continuous decline in the value of exports from Sierra Leone from 1964 to 1967, provisional data for 1968 indicated a sharp upturn—amounting to about a quarter—in the export total for 1968. This was much more than could be accounted for by the change in the external value of the currency. The improvements in exports did not really become apparent until well into the year as diamond exports, particularly, remained far below the level of the first months of 1967. At the time of devaluation in November 1967 the diamond export duty had been put back to 7½ per cent from the 10 per cent imposed at the time of the Budget in July 1967, as it was thought that the increased duty had done much to encourage smuggling, leading to significantly lower purchases by the Government Diamond Office. In November 1967 the Government also raised the producer price of diamonds by 16⅔ per cent, but even after these measures the recovery only began gradually in May and June 1968. At the beginning of 1968 the Sierra Leone Produce Marketing Board announced rises in prices paid to farmers for palm kernels, coffee, cocoa and piassava to encourage greater production, and by the end of the first ten months of the year exports of all these commodities were well up on the corresponding 1967 figures.

Exports from Sierra Leone

Leones million

	Total (f.o.b.)	*Diamonds*	*Iron ore*	*Palm kernels*	*Coffee*	*Balance of merchandise trade*
1964 ..	62·9	39·8	10·4	4·9	2·7	−7·5
1965 ..	59·1	37·0	10·9	5·7	1·3	−17·9
1966 ..	53·4	31·2	9·6	5·1	3·9	−17·6
1967 ..	45·5	29·7	9·0	1·1	0·5	−19·8
Jan.–Aug.						
1967 ..	39·1	..	6·3	0·6	0·3	..
1968 ..	50·6	..	7·8	6·8	0·5	..

The Budget for 1968–69 had three main objectives: a reduction in the size of the overall deficit, the generation of a surplus from the current budget to support the development programme, and an increase in the size of the development budget. Total recurrent revenues for 1968–69 were estimated at Le41·7 million and recurrent expenditures at Le40·8 million. Early in 1969 it was seen that actual revenue was higher than had been expected and recurrent expenditure seemed likely to be less than originally forecast. A year previously it had been feared that the higher price of imports from non-devalued areas, combined with increased domestic purchasing power, would lead to inflation and the need for currency and exchange controls as well as import quotas; however, this fear was overcome by a loan from the I.M.F. of $U.S.3·6 million under a standby agreement, and external reserves rose from the low point of Le12·7 million at the end of January 1968 to Le23 million at year's end.

TABLE 41

EXPORTS FROM SIERRA LEONE

Leones million

	1964	1965	1966	1967	1968*a*
United Kingdom	48·2	43·9	36·4	32·3	36·2
West Germany	4·3	4·3	3·6	2·4	6·4
Netherlands	6·3	6·3	6·7	5·6	7·9
Other countries	4·1	4·6	6·7	5·2	6·1
Total all countries ..	62·9	59·1	53·4	45·5	56·6
Of which:					
Commonwealth	48·7	44·3	36·8	32·5	36·5
E.E.C.	11·5	13·6	12·0	10·1	16·3
EFTA (Continental).. ..	0·3	—	0·6	0·2	0·6
Eastern Europe	0·2	—	—	—	—

a Estimates.

During the first ten months of 1968 exports of all major commodities rose. The most spectacular increase came in palm kernel exports which moved from under Le1,000 to nearly Le8 million. The abnormally low purchases of palm kernels for the first 6 months of 1967 were caused by a loss of confidence in the Sierra Leone Produce Marketing Board to pay promptly on delivery of produce. This situation was rectified by the end of the year and, combined with the higher price announced in January 1968, this produced a steady flow of palm kernels for sales to the Board until November when the usual seasonal decline set in. Diamond exports only increased slightly in the first 10 months. Purchases by the Government Diamond Office were very low early in the year, with smuggling still taking a high proportion even after the reduction in the export duty and an increase in the price paid to miners—a situation which improved with the return to civilian rule. G.D.O. purchases in May 1968 exceeded Le2 million for the first time and a steady improvement continued for the rest of the year. A slight increase in price during August gave a stimulus to diamond dealers and the normal rainy season depression did not make itself felt. By the end of 1968 purchases of diamonds for the year were the best ever, reflecting an increase of 9·7 per cent over the previous highest recorded purchase in 1964, carats traded being over 100,000 up on the 759,513 of 1967. Exports of coffee increased substantially on the 1967 level, helped by better weather conditions, but it was feared that a significant quantity was still being smuggled over the border to Liberia. Exports of iron ore rose by almost a quarter, encouraged by a contract made with Japan early in the year for the supply of iron ore to three Japanese steel mills. The contract called for deliveries of 400,000 tons of iron ore between April 1968 and June 1969, and an annual shipment of 1·1 million tons to the end of 1979. Higher prices for cocoa and piassava encouraged producers of both these commodities and exports were well up in the first ten months of 1968.

An increase in exports of raw cocoa and coffee by weight contributed towards the rise in the total value of exports to the United Kingdom. Greater shipments of palm kernels and piassava were partly responsible for the rise in exports to the E.E.C., particularly West Germany and the Netherlands, which have replaced the United Kingdom as first and second markets for Sierra Leone piassava in recent years.

Imports into Sierra Leone

Leones million

	Total (c.i.f.)	*Food*	*Basic materials and base metals*	*Mineral fuels and lubricants*	*Machinery and transport equipment*	*Other manufactures*
1964 ..	70·4	9·8	3·2	7·3	18·5	28·7
1965 ..	77·0	11·3	4·7	6·8	22·7	28·3
1966 ..	71·0	13·8	3·7	5·7	16·6	27·8
1967 ..	65·3	12·6	3·4	4·8	14·8	26·4
Jan.–Sept.						
1967 ..	50·1	10·0	..	4·0	11·4	20·1
1968 ..	54·5	10·2	..	4·4	12·6	23·5

The recorded value of all major groups of imports showed higher totals in the first three-quarters of 1968. Purchases from the United Kingdom were aided by an interest free loan of Le1,120,000 to Sierra Leone, to be spent on an agreed list of goods and services, while a further PL480 agreement with the United States provided for shipment of 2,500 metric tons of wheat and wheat flour and 90 metric tons of tobacco or tobacco products at a total cost of some $389,000. Five per cent of this cost was to be payable on arrival of shipments and the balance in 19 instalments commencing 2 years after the date of the last shipment. Imports of petroleum products should show a decline in 1969 as restrictions were to be placed on imports with the opening of the petroleum refinery with an annual capacity of 500,000 tons.

TABLE 42

IMPORTS INTO SIERRA LEONE

Leones million

	1964	1965	1966	1967	1968*a*
United Kingdom	26·8	25·2	20·0	18·3	20·4
Other Commonwealth	8·2	8·2	7·3	5·5	4·3
United States	3·5	11·4	4·4	6·9	7·4
France	2·5	4·4	5·3	4·8	3·9
West Germany	5·6	3·3	4·4	3·3	3·9
Italy	1·5	2·9	2·2	1·7	1·7
Netherlands	5·2	5·0	4·5	3·1	3·1
Japan	7·2	6·4	7·4	7·2	8·1
Other countries	9·9	10·2	15·5	14·5	17·0
Total all countries	70·4	77·0	71·0	65·3	69·8
Of which:					
Commonwealth	35·0	33·4	27·3	23·8	24·7
E.E.C.	15·5	16·2	16·8	13·7	13·1
EFTA (Continental)	1·5	1·4	1·4	1·7	1·4
Eastern Europe	2·6	3·4	4·1	4·1	4·5

a Annual rates based on latest data.

THE GAMBIA

Total exports from The Gambia fell by some 14 per cent in 1968 due to lower groundnut production and lower world prices. Production during the year amounted to 118,000 tons, just below the 1965–66 crop figure and 11,000 tons lower than the record crop of 1966–67. Export shipments were the second highest ever achieved at 21,100 tons, after the record of 26,200 tons in 1967, while exports of shelled groundnuts fell by 5,000 tons to 30,000 tons in 1968 compared with the previous year. The value of imports increased more steeply than in the last few years and the trade gap widened considerably after its contraction in 1967.

Exports from The Gambia

£ million

	Total (f.o.b.)	*Oilseeds, oil nuts and oil kernels*	*Vegetable oils*	*Animal feeding stuffs*
1964	3·2	1·8	0·9	0·5
1965	4·7	2·5	1·5	0·7
1966	5·6	2·6	1·7	1·1
1967	6·4	2·4	2·6	1·2
1968	5·5	1·8	2·3	1·3

The smaller size of the groundnut crop and the lower export prices prevailing during the main selling season led to a reduction in the producer price of £1 to £27 a ton, plus a subsidy out of the Stabilisation Fund of 30 shillings given by The Gambia Oilseed Marketing Board for every ton. However, by May 1968 prices had recovered and were well above the prevailing 1967 levels, in terms of sterling, for the rest of the year. Despite lower than hoped for returns from groundnut exports, it was announced in the Budget in June that for the second successive year the country expected to meet its current expenditure from local resources, making it unnecessary to seek British budgetary aid. At the time of the Budget the government announced that it would subsidise the sale of seednuts to farmers by reducing the price from 45 shillings/cwt to 35 shillings/cwt as an encouragement to increase groundnut production, and an intensive campaign was under way to increase acreage planted.

TABLE 43

EXPORTS FROM THE GAMBIA

£ million

	1964	1965	1966	1967	1968
United Kingdom	1·5	2·4	3·9	4·0	3·7
Italy	1·5	1·0	0·4	0·5	0·1
Portugal	—	0·5	1·3	1·3	0·1
Other countries	0·2	0·8	—	0·6	1·6*a*
Total all countries	3·2	4·7	5·6	6·4	5·5
Of which:					
Commonwealth	1·6	2·5	3·9	4·0	3·7
E.E.C.	1·6	1·5	0·4	0·5	0·9

a Of which France 0·3, Netherlands 0·5.

With the new crushing facilities in The Gambia, exports of vegetable oils were well over a quarter higher than those of seeds, nuts and kernels in 1968, compared with less than a tenth higher in 1967. Exports of animal feedingstuffs rose slightly, aided by the fact that the 21 per cent of the groundnut crop which was substandard was used for producing groundnut cake. The decline in exports to the United Kingdom was caused by a drop of £0·5 million to £2 million in groundnut oil. The fall of 80 per cent in exports to Italy was due to the decline in groundnut exports, as was the decline of some 90 per cent in exports to Portugal.

Imports into The Gambia

£ million

	Total (c.i.f.)	*Food*	*Machinery and transport equipment*	*Other manufactures*
1964	4·3	1·0	0·5	2·0
1965	5·8	1·0	1·1	3·1
1966	6·3	0·9	1·2	3·3
1967	7·0	1·3	1·3	3·2
Jan.–Sept.				
1967	4·6	0·9	0·9	1·9
1968	5·5	0·7	1·2	2·5

Over the first nine months of the year imports increased by about a fifth. Food imports did not increase in this period although by the end of the year substantial increases were being reported in the cost of importing corned beef and rice and the latter commodity was being subsidised from the Stabilisation Fund. It was hoped that in the not too distant future The Gambia would become self sufficient in rice production. Imports of machinery and transport equipment and also of manufactures increased substantially by about a third. Imports from the United Kingdom rose in the region of a quarter while those from Japan remained at a similar level to that of 1967.

TABLE 44

IMPORTS INTO THE GAMBIA

£ million

	1964	1965	1966	1967	1968a
United Kingdom	1·6	2·4	2·5	2·5	3·2
Japan	0·7	1·0	1·1	1·2	1·2
Other countries	2·0	2·4	2·7	3·3	3·6
Total all countries	4·3	5·8	6·3	7·0	8·0
Of which:					
Commonwealth	2·2	3·0	3·3	3·2	3·9
E.E.C.	0·4	0·5	0·5	0·8	1·0
Eastern Europe	0·2	0·3	0·4	0·4	0·4

a Annual rates based on latest data.

ZAMBIA

Copper is Zambia's major industry, as well as its principal export and source of revenue, and it was natural therefore that, with the average L.M.E. three-month price dropping from K1,076 in 1966 to K810 in the following year—when a lagged import surge sharply reduced the surplus on external trade—concern should be felt for the country's financial position, However, the effect of strikes in American copper mines in late 1967 and early 1968, followed by hedge-buying against possible devaluations, and various other factors, helped to firm the market and in the first nine months of 1968 the combination of higher prices and output of copper resulted in a 22 per cent rise in the value of mineral production compared with the same period in the previous year. As exports forged ahead, while the rising trend of imports was substantially checked, the balance of merchandise trade showed a great improvement. This was reflected in a rise of K23 to K153 million in international reserves in the period January to November 1968.

Towards the end of 1968 the Zambian Government took a more active interest in the copper industry, through the formation of the Metals Marketing Company. This institution, in which the Government has a 51 per cent equity and the two major mining companies equal remaining shares, is to supervise pricing and marketing policies affecting the country's mineral production as well as representing Zambia in international marketing gatherings. Individual contractual arrangements continue to be negotiated by the mining companies and purchasers.

Manufacturing industries have progressed satisfactorily in recent years, the index of manufacturing production having risen by 16 per cent in 1967 and by 22 per cent in the first half of 1968. The increase in output of foodstuffs and of non-metallic mineral products was particularly noticeable. Official industrial policy has been to develop industries of national importance, often in partnership with private industry. The main instrument in carrying out this policy has been the Industrial Development Corporation. The number of state investments held by INDECO increased from nine to twenty-two in 1967. Following the Mulungushi economic reforms the Industrial Development Corporation increased its activities and at the end of August 1968 the corporation held investments of roughly K30 million in equities and K10 million in loans, together K40 million, compared with K15 million at the end of 1967.

The gross value of marketed agricultural production in the 1967–68 crop season was practically the same as in the previous season. There was a drop in maize sales, but sales of whole milk and poultry increased. Efforts to increase the productivity of existing commercial farmers continued, along with efforts to persuade subsistence farmers to move into the commercial field. Early in 1968 the Government formed the Agricultural Development Corporation to facilitate the execution of the National Development Plan 1966–70 and to help to run a number of agricultural projects along commercial lines.

The Budget, introduced on a calendar year basis for the first time in January 1969, included measures to encourage the growth of manufacturing industries, including higher capital allowances and the imposition of new customs and excise duties. "Luxury" imported goods were to bear a duty of 50 per cent while tariff rates for commodities such as beer, cigarettes, spirits and confectionery were all raised by varying amounts. At the same time a simplification of the tariff structure was announced and this accounted for increased rates in some cases. The establishment of an Export Promotion Council, composed of representatives from government, commerce and industry was confirmed early in 1969.

Exports from Zambia
K million

	Total (f.o.r.)	*Copper*	*Zinc*	*Tobacco*	*Cobalt*
1964	335	297	10	6	3
1965	380	343	10	5	4
1966	493	461	8	5	4
1967	470	432	8	4	6
Jan.–July					
1967	242	219	4·2	2·7	2·5
1968	322	304	5·5	1·4	2·0

TABLE 45

EXPORTS FROM ZAMBIA

K million

	1964	1965	1966	1967	1968*a*
United Kingdom	109	143	160	128	166
Other Commonwealth	22	16	12	11	13
South Africa	26	25	28	25	22
France	19	28	43	35	45
West Germany	44	50	69	43	70
Italy	24	32	44	41	53
Japan	37	46	69	96	121
Other countries	54	40	68	91*b*	116*c*
Total all countries ..	335	380	493	470	606
Of which:					
Commonwealth	131	159	172	139	179
E.E.C.	104	113	168	125	153
EFTA (Continental).. ..	10	16	27	27	34
Eastern Europe	6	9	10	7	7

a Annual rates based on latest data.

b Of which United States 24.

c Of which United States 32.

Despite the cutback in copper production during the first half of the year due to low quality coal and acid shortages, a 38 per cent increase in the value of copper exports was achieved in the first seven months of 1968 compared with the similar period of 1967. In early 1968, with copper for immediate delivery in short supply because of the United States strike, the price for cash wire bars on the London Metal Exchange rose significantly above the three months forward price at which Zambian producers sold metal. In June, therefore, both major groups in Zambia announced that, in future, they would base their price for copper wire bars to consumers on the cash rather than three months forward L.M.E. price. With the return to full production in the July–August period copper output expanded strongly so that by the end of the year it had risen by 48,000 tons to 655,000 tons and the provisional value had increased from K454 million in 1967 to K516 million in 1968.

The main customers for Zambia's copper are the E.E.C., the United Kingdom and Japan which together took nearly 80 per cent of total exports in 1967 and 85 per cent in the first half of 1968. Primarily because of the strike in the United States copper industry, copper exports to that country reached very substantial proportions in the second half of 1967 and the early months of 1968. Copper exports to Japan should increase substantially in the future as a result of agreements signed in Tokyo in May 1968. Under them two major Japanese companies were to provide loans to the Anglo American Corporation for copper mining development, to be repaid by deductions from guaranteed proceeds of the 100,000 ton yearly copper supply over 10 years starting in 1969.

Although the devaluation of sterling gave a boost to the L.M.E. price of zinc the market remained comparatively depressed. The value of exports of zinc during the first seven months of the year showed an increase of about a third over the corresponding period of 1967, but the provisional value figure for zinc production for 1968 showed only a slight improvement on 1967 despite an increase in output. Tobacco exports during the seven month period were nearly halved, the burley and turkish crops being affected by drought early in the year while increases in production of the virginia flue cured crop did not completely offset the lower than hoped for prices. The target set by the Zambia Tobacco Board for 1968–69 was 20 million pounds and on the strength of this and the target of 25 million pounds for 1969–70, manufacturers agreed to maintain the level of their purchases. However it was thought that a further fall in auction floor prices in the latter part of 1968 coupled with an unfavourable pattern of rains would have serious effects on the 1969 tobacco crop.

Imports into Zambia

K million

	Total (f.o.b.)	*Food*	*Basic materials*	*Mineral fuels and lubricants*	*Machinery and transport equipment*	*Other manufactures (incl. base metals)*	*Balance of merchandise trade*
1964	154	14	11	17	42	72	+182
1965	211	17	15	21	70	96	+169
1966	246	20	18	20	98	98	+247
1967	306	21	19	31	126	115	+164
Jan.–Sept.							
1967	233	16	6	24	100	83	+ 92
1968	252	18	5	24	107	93	+154

An increase of 8 per cent occurred in imports in the first nine months of 1968 compared with the corresponding period of the previous year. There was a decline in basic materials, and only a small rise in mineral fuels and lubricants. The opening of the oil pipeline from Dar es Salaam to Ndola on the copperbelt in July 1968 brought petrol rationing to an end in October, when it

TABLE 46

IMPORTS INTO ZAMBIA

K million

	1964	1965	1966	1967	1968a
United Kingdom	26	42	54	63	69
Other Commonwealth	67	82	62	63	62
South Africa	32	41	58	72	79
United States	8	13	27	66	53
West Germany	4	6	8	12	13
Japan	3	8	9	19	20
Other countries	14	19	28	11	12
Total all countries ..	154	211	246	306	310
Of which:					
Commonwealth	93	124	116	126	131
E.E.C.	8	16	20	37	40
EFTA (Continental) ..	3	4	6	8	8
Eastern Europe	—	—	—	2	2

a Annual rates based on latest data.

was expected that the rate of importation of mineral fuels would show a natural increase. Imports from the United Kingdom increased by about a fifth during the first 6 months of the year, the greater proportion of the total consisting of electrical and non-electrical machinery and transport equipment. Imports from South Africa continued their upward trend. United States sales to Zambia during the whole of 1968 fell by approximately a fifth from the 1967 total of \$37 million (U.S. data). This drop followed large increases in U.S. exports in 1966 and 1967 resulting principally from substantial "once only" sales of aircraft and railway equipment.

MALAWI

Early in 1968, when it appeared that drought might seriously affect foodstuffs, there was a startling increase in the price of locally grown food. But though the lack of rain was serious there was no danger of famine: the price of foodstuffs fell back, and at the end of the year showed little rise over a year ago. Nevertheless, the drought caused many problems. At the national level, groundnuts and cotton were particularly affected and the very small increase in the value of agricultural exports was only made possible by disposals of stocks carried forward by the Farmers Marketing Board and tobacco merchants from 1967. Apart from the official quotas which deliberately restricted crop purchases of dark-fired tobacco, the volume of most crops marketed through the F.M.B. was not only down on 1967 but also below the previous three-year average 1964–66. Only maize of the major crops yielded an above average surplus for sale. On the other hand, the estate crops, tea, burley and flue-cured tobacco did better.

The combination of a poorer harvest of Farmers Marketing Board crops, devaluation and a sharp cut in budgetary aid from Britain, meant a much lower rate of growth in the economy as a whole. The effect of devaluation was to raise the retail price of most imports. Recourse was had to foreign exchange reserves since the current deficit of the balance of payments was expected to widen to about £5 million. However, the level of exchange reserves at the end of 1968 showed a rise of some £200,000 compared with 1967 due to receipt of £1·8 million as final proceeds from the sale of the Zambesi bridge. At the end of the year preliminary indications showed that gross domestic product at market prices would probably amount to just over £85 million—an increase of about 2 per cent compared with 1967. Adjusting for price movements, real income in 1968 would thus work out at a lower level than in 1967.

Exports from Malawi

£ million

	Domestic Exports (f.o.r.)	*Re-exports (f.o.r.)*	*Imports (f.o.b.)*	*Balance of merchandise trade*
1964	11·5	1·0	14·3	−1·8
1965	13·5	0·8	20·4	−6·0
1966	13·8	3·6	27·1	−9·7
1967	16·6	3·9	25·5	−5·1
1968	17·0	3·3	29·6	−9·3

On the basis of preliminary data for 1968, domestic exports attained a record value of around £17 million, compared with £16·6 million in the previous year. By the end of September domestic exports at £13·4 million were 7 per cent above the total for the corresponding three quarters of 1967. However, as the F.M.B. had managed to move most of the current year's crops, as well as run down stocks carried over from 1967, while the poor plucking conditions meant rather a small volume of tea for export, domestic exports in the final quarter of 1968 amounted to only £3·6 million, against £4·2 million in 1967.

Re-exports (which exclude the direct transit trade with Zambia) fell to £3·3 million; re-exports of Zambian tobacco and mineral fuels for Eastern Zambia were the main components. Of the total value of exports amounting to £20·3 million in 1968, as much as £3 million could be attributed to the combined effects of the run-down in 1967 stocks and higher export prices.

Domestic Exports from Malawi

£ million

	Tea	*Tobacco*	*Groundnuts*	*Cotton lint*	*Maize*	*Other*
1964	3·3	4·2	1·1	1·0	0·2	1·7
1965	3·8	5·1	1·6	1·1	—	1·9
1966	4·4	4·5	1·3	1·1	0·8	1·7
1967	4·5	4·2	3·4	0·7	1·6	2·2
1968	4·9	5·3	2·3	0·6	1·7	2·5

Production for export was down on 1967, taking all commodities into consideration. But on the whole the tobacco crop was not too badly affected by drought. The dark-fired crop fell somewhat below the reduced target set, but quality was improved and auction floor prices were much higher. Auction sales of flue-cured amounted to just over 6 million lb. This was half as much again as in 1967 though the price, while still high, was below the best. On the other hand, both the quantity of burley tobacco, 6·8 million lb, and its price of 30·13d per lb were still above the 1967 figures. Total auction floor receipts for tobacco were sharply up on 1967. The tea industry began the year well but then the effects of the long dry spell in the middle of the year began to affect this crop also. The outturn for the year was about 10 per cent below the 1967 record of 37 million lb.

The cotton crop was affected for the third year in succession by shortage of rain. Only 12,400 tons of cotton were purchased from growers by the Farmers Marketing Board. The worst affected crop, however, was groundnuts. This proved to be much below average quality and, in addition, its size was only just over half of that of the 1967 crop.

During 1968 unrecorded trade with neighbouring countries probably increased; paddy, pulses and groundnuts brought better prices as a result of Malawi's devaluation. Among the "other" domestic exports, cassava was expected to show a marked rise.

TABLE 47

EXPORTS FROM MALAWI

£ million

	1964	1965	1966	1967	1968
United Kingdom	5	7	8	11	11
Other Commonwealth	4	4	3	4	3
South Africa	1	1	—	1	1
Other countries	1	2	5	6	5
Total all countries.. ..	12	14	17	20	20
Of which:					
Commonwealth	9	10	11	15	14
E.E.C.	1	1	2	2	2

Detailed statics of exports by destination show a fractional decline in the proportion going to the United Kingdom and a corresponding rise in the share going to countries which did not devalue.

Total imports for 1968 were provisionally valued at £29·6 million which, with re-exports at £3·3 million, meant a substantial rise in retained imports from the low figure in 1967. Although detailed import price indices were not available, it would appear that much of this increase was due to higher prices arising from devaluation.

Imports into Malawi

£ million

	Total (f.o.b.)	*Food*	*Basic materials*	*Mineral fuels*	*Machinery and transport equipment*	*Other manufactures*
1964 ..	14	1	—	1	3	8
1965 ..	20	2	1	1	4	11
1966 ..	27	2	1	1	7	12
1967 ..	26	2	2	1	6	11
1968 ..	30	..	..	..	..	..

TABLE 48

IMPORTS INTO MALAWI

£ million f.o.b.

	1964	1965	1966	1967	1968
United Kingdom	3	5	8	7	8
Zambia	—	—	3	2	1
Other Commonwealth	7	9	8	7	7
South Africa	1	1	2	2	3
Japan	1	1	1	2	2
Other countries	2	3	4	5	7
Total all countries.. ..	14	20	27	26	30
Of which:					
Commonwealth	10	15	19	17	17
E.E.C.	1	1	2	2	2

During 1968 there was a marked shift in the end-use for imports, from consumer goods to capital goods and basic materials for local industry. Comparing the first half of 1968 with that for 1967, imports of consumer goods declined in money terms and hence fell further in real terms; on the other hand there was a noticeable increase in imports of capital equipment and materials, for the transport and construction industries especially. These trends continued into the third quarter of 1968, reflecting the decline in real personal consumption and the rise in fixed investment. Business uncertainty and the impact of a lower volume of sales to the F.M.B. affected imports of consumer goods by rural traders in particular, while some other importers experienced tighter credit conditions imposed by foreign suppliers.

BOTSWANA

Botswana, which gained its independence in September 1966, is part of the South African Customs and monetary area and there are no tariff or financial barriers between the two countries. The main occupation of the people is cattle ranching, which at present employs over four-fifths of the labour force and which directly or indirectly contributes around nine-tenths of the value of exports. Botswana's 1·2 million cattle and 650,000 goats make the country a major meat producer and exporter, with considerable possibilities for development. In addition, developments in a wide range of minerals seem to be opening up new possibilities.

Exports from Botswana

R million

	Total	*Cattle*	*Meat products*	*Hides and skins*
1964	8·4	5·4	1·3	0·5
1965	10·2	6·6	1·6	0·7
1966	12·0	7·7	1·2	0·9
1967	9·2	4·3	1·7	1·7
1968	..	..	..	..

All slaughter livestock for export are handled by the Botswana Meat Commission, a statutory corporation which, with a capital of R3·5 million is the largest single beef processing concern in Africa. Over 80 per cent of Botswana cattle are owned by African farmers and are grazed on tribal land on a communal basis. Exports, which had risen fairly slowly in 1965 and 1966, turned down in 1967 as shipments of live cattle and carcase meat diminished following marked improvement in local grazing conditions brought about by the first heavy rainfall in five years. A policy of conservation tended therefore to be adopted by the farmers in order to replenish stocks run down in the previous years of drought, and the number of cattle slaughtered fell by nearly half. From a total offtake of 162,000 in 1965, slaughterings fell to 100,000 in 1967. By the end of 1968 the national herd had fully recovered from the effects of drought and cullings should have returned to normal. It is the Government's long term objective to build up the size of the national herd to about 2·5 million head, and to achieve an export level of 200,000 carcases. Efforts are being made to upgrade breeding stock, provide for segregation of herds, develop holding grounds for fattening cattle, and to improve and expand grazing areas and water supply.

In 1967 the bulk of the carcase beef continued to be shipped to the United Kingdom which also took much of the canned meat, while live cattle were consigned to neighbouring countries. As from January 1968, however, the Botswana Meat Commission announced that it would supply only carcases to Zambia, though the number involved was to be double that originally arranged.

During the course of 1968 Botswana announced a new National Development Plan for the 1968–73 period, with the objective of making the country financially viable within as short a time as possible. A major project in the Plan includes the development of several copper and diamond mines, salt and soda ash deposits, and associated industrial complexes centering on a large dam (to be built) on the Shashi River, 30 miles south of Francistown. Roan Selection Trust was already proposing to develop copper and copper/nickel mines in the area around Francistown, which so far have proved to contain over 25 million tons of copper/nickel ore with an average of 1·12 per cent nickel and 1·36 per cent copper. An important by-product of the nickel refining process would be sulphur, of which perhaps 200,000 tons a year could be produced.

Imports into Botswana

R million

	Total	*Food*	*Basic Materials*	*Mineral fuels and lubricants*	*Machinery and transport equipment*	*Other manufactures*
1964	9·3	..	..	..	..	..
1965	16·6	..	..	..	..	..
1966	18·8	6·7	0·3	1·9	2·2	6·0
1967	20·0	5·6	0·5	2·4	2·2	6·7
1968	..	..	..	..	..	..

The five years of drought which occurred before 1967 meant that imports of foodstuffs were an important component of the total, but with an excellent harvest in 1967 imports of maize from neighbouring countries declined. Imports of textiles and clothing also fell, from R2·4 million in 1966 to R2·0 million in 1967. Over the same period, however, imports of fuels etc. went up from R1·9 to R2·4 million and those of iron and steel products expanded from R1·1 to R2·0 million. In 1966 about 65 per cent of imports had been recorded as coming from South Africa and around 25 per cent from Rhodesia.

Mainly because of the steep growth of imports since 1965, the country has had a substantial deficit on its trade balance, part of which has been covered by the remitted earnings of migrant Botswana workers in South Africa and part by the receipt of budgetary support from Britain. The sudden jump in imports in 1965, compared with preceding years, was partly due to improved methods of collection of import statistics.

LESOTHO

Lesotho, which became independent in October 1966, is, like Botswana, part of the South African Customs and monetary area. Less than a sixth of this predominantly mountainous country consists of arable land, although agriculture and animal husbandry contribute the basic economic activity. The Government is attempting to foster light industry, especially that allied to primary production. The Lesotho National Development Corporation has established a tyre retreading plant, carpet weaving, candle making and paint factories, while negotiations for several other enterprises, including a tourist hotel, were at an advanced stage towards the end of 1968.

The country appears to have considerable potential as a tourist centre and for the generation of hydro-electricity, to which the proposed Oxbow Lake scheme could make a substantial contribution. This R32 million project would supply water to arid regions in Lesotho and South Africa, and could also be used to supply electricity at a later date.

A mining law was passed by Parliament in 1968 and a Mines Department established. An important agreement for diamond exploration was concluded with Rio Tinto Zinc and a similar agreement was under negotiation with LONRHO. Negotiations were also afoot for leasing certain areas of the country for oil exploration. Although extensive geological surveys are planned, only diamonds are presently known to be commercially exploitable. In 1967 exports of diamonds for the first time exceeded R1 million, a substantial increase over the R700,000 of 1966. The rise in value was helped by the discovery of the world's sixth largest diamond, which realised R216,000 at first sale. In 1968, however, total recorded exports of this mineral fell temporarily to R376,000, following the removal of thousands of diggers from the Latseng le Terai diggings with a view to the orderly and systematic development of the resource.

Exports from Lesotho

R million

	Total	Wool and Mohair	Cattle	Diamonds
1964	..	..	..	0·2
1965	3·5	1·4	0·4	0·6
1966	3·1	1·5	0·5	0·7
1967	4·2	1·3	1·2	1·0
1968	..	..	..	0·4

Lesotho has a heavily adverse trade balance. Exports amounted to only R4,168,000 in 1967, while imports totalled no less than R23·8 million. Reflecting a seemingly inevitable upward trend experienced by all newly independent countries, imports were rising in 1968 while rural exports showed no tendency to growth.

Practically all exports go to South Africa in the first instance. Shipments to other countries are negligible, although Britain is the major world market for diamonds and mohair, and a good deal of the produce of Lesotho may ultimately find its way there. South Africa also provides the great bulk of imports, the most important items being grains, clothing, blankets, cotton and woollen fabrics, and motor vehicles. Of these the most changeable appears to be grain, especially maize, imports of which rose strongly when the local harvest was poor, as in 1966, but fell back in 1967 when there was a bumper crop.

Imports into Lesotho

R million

	Total	Food	Basic materials	Mineral fuels and lubricants	Machinery and transport equipment	Other manufactures
1965	17·3	5·1	0·1	0·7	1·6	8·3
1966	22·9	6·4	0·5	1·0	2·0	11·0
1967	23·8	4·6	0·6	1·6	2·5	12·4
1968	..	..	..	..	..	..

The heavily adverse trade balance is reflected in the Budget. With estimated recurrent expenditure for 1968–69 running at R11,040,000, estimated revenue from domestic sources amounted to no more than R5,220,000—the balance being covered from external sources, mainly a British grant-in-aid of R5,130,000. In addition, substantial technical aid was received from a number of sources including Canada, the Republic of South Africa, the United States, Israel and United Nations organizations.

SWAZILAND

Swaziland, which attained independence in September 1968, is part of the South African Customs and monetary area, so that goods cross the borders between these countries, and also Lesotho and Botswana, free of duty and for the most part free of quantitative restrictions. The Swazi economy is dependent in the main on agriculture, though the forestry and mining sectors are of considerable importance. Most of the population are still engaged in subsistence farming, but the change to cultivating cash crops continues, sugar being of special importance—with a Commonwealth Sugar Agreement quota—along with citrus fruits and rice. The mining of asbestos, an important natural resource for many years, was supplemented by that of iron ore from 1964 when the Swaziland Railway was opened to provide a link between the Ngwenya mine, near the western border, and the existing Mozambique railhead at Goba. In addition to carrying 2·7 million tons of iron ore per annum, the railway is providing a valuable outlet for the export of sugar, wood pulp, canned fruit and meat products.

Exports from Swaziland
R million

	Total	*Sugar*	*Forest products*	*Iron ore*	*Asbestos*
1964 ..	22·7	7·6	5·8	0·3	5·2
1965 ..	30·8	8·6	7·8	5·5	5·8
1966 ..	38·4	10·2	8·2	8·5	5·0
1967 ..	41·6	9·5	6·9	10·0	5·9
1968 ..	..	7·8	6·9 (est)	9·1	..

Some indication of Swaziland's recent expansion is given by the growth of total exports, which increased in total value from R12 million in 1960 to R41·6 million in 1967, although provisional data show lower exports of sugar and iron ore in 1968. Detailed official statistics for the destination of exports are incomplete, but the major market outlets are Britain (which takes most of the sugar and asbestos), Japan (iron ore), and South Africa, which takes most of the remaining items other than citrus and canned fruits, and wood pulp and other forest products. Meat and meat products provisionally valued at R2·1 million went mainly to Zambia and Britain in 1968. In 1967 Canada took sugar valued at R1 million.

TABLE 49

EXPORTS FROM SWAZILAND

R million

	1964	1965	1966	1967
United Kingdom	6·6	10·7	15·2	15·8
Japan	0·3	5·0	8·5	10·0
South Africa	8·1	5·1	6·7	6·3
Other countries	7·7	10·0	8·0	9·5
Total all countries	22·7	30·8	38·4	41·6

Imports into Swaziland
R million

	Total	*Food*	*Basic materials and base metals*	*Mineral fuels and lubricants*	*Machinery and transport equipment*	*Other manufactures*
1964 ..	19·0	..	..	..	..	..
1965 ..	26·5	3·5	1·9	1·9	8·6	9·3
1966 ..	25·7	3·9	1·7	2·2	6·8	9·3
1967 ..	35·5	4·2	3·8	3·8	8·8	13·0
1968 ..	..	..	..	..	..	..

The trade surplus was massively reduced in 1967 as a result of a two-fifths increase in the import bill. Substantial increases were spread across the board, reductions occurring only in railway and telegraph equipment, agricultural machinery and insecticides. Practically all imports come from South Africa.

KENYA

The decline in exports of coffee, sisal and petroleum products was offset by the growth of tea exports and a notable expansion in those of maize in 1968. Tourism showed little growth over the first six months of the year but towards the end of 1968, it was estimated to be earning at the annual rate of around £K15 million and was only slightly behind coffee as the country's principal foreign exchange earner. Despite early fears, the devaluation of sterling did not have as serious an effect on Kenya as was expected and early estimates suggested an overall balance of payments surplus of £K7 million by the end of 1968. Net foreign assets of the central bank rose by £K3 million in the first half of the year. The budget for 1968–69 emphasized the need to encourage the purchase of locally manufactured goods in preference to imported goods, and rates of duty on a wide range of imports were increased in order to avoid loss of revenue following price falls as a result of sterling devaluation. It was estimated that the increases would raise approximately £K700,000, all of which would be required for development expenditure. Total development expenditure allocated for the financial year 1968–69 in the budget was £K25·7 million, as compared with £K20 million in 1967–68.

The inauguration of the East African Community on December 1st 1967, with the imposition of transfer taxes in place of the former quota restrictions, was expected to slow down Kenya's trade with Tanzania and Uganda initially. It was estimated that about 25 per cent of Kenya's total exports to Tanzania would be affected and about 13 per cent of the manufactured goods exported to Uganda. By August, Kenya had dispensed with the need for import licences on a number of goods from Uganda and Tanzania including tobacco, fishing nets, radios, tableware and smokers' pipes.

Exports from Kenya a

	Exports (*f.o.b.*) £K million	Domestic exports b £K million					Index numbers	
		Total	*Coffee*	*Tea*	*Sisal*	*Petroleum products*	Volume	Unit Value
1964 ..	77	72	15	6	6	5	100	100
1965 ..	78	74	14	6	4	7	101	99
1966 ..	87	84	19	9	3	8	125	99
1967 ..	79	74	16	7	2	7	122	99
Jan.–Oct.								
1967 ..	70	65	14	6	2	6	..	..
1968 ..	72	68	12	9	1	5	..	..

a See Notes on Statistics.

b Domestic exports for individual commodities for Jan.–Oct. 1967 and 1968 exclude inter-territorial trade.

Domestic exports rose slightly in the first ten months of 1968 compared with the same period of 1967. Coffee exports fell because of the severe incidence of coffee berry disease. Prices had been high at the Nairobi auctions partly due to shortages of the commodity, and exports to quota markets for the 1967–68 coffee season fell short by 9,000 tons. The overall average price for the season was £K28 per ton higher than in the previous season. However, the volume of coffee exports during the first 9 months of the year, at 504,000 bags, was nearly 200,000 bags down on the 1967 figure for the corresponding period.

Shipments to West Germany, Kenya's largest market for this commodity, declined by nearly 4 per cent to 177,000 bags while those to the United Kingdom and Canada fell by 40 per cent to 47,000 bags, and by 76 per cent to 15,000 bags respectively. Declines were also registered in sales to other E.E.C. countries, to EFTA and to countries of the Middle East. As exceptions to the general movement, shipments to the United States more than doubled to 89,000 bags, and those to Yugoslavia rose from nil to 20,000 bags.

The sisal market, which fell further in 1967, was weakened yet again by sterling devaluation and the competitive advantage given to the United Kingdom as a producer of synthetic fibres. Sisal is suffering from stiff competition from synthetics and this, together with devaluation and over-production, accounted for the low prices prevailing in the first half of 1968. However, in the second half of 1968 there was a significant improvement in prices. Kenya's annual quota under F.A.O. arrangements was fixed at 56,000 tons in September 1968.

TABLE 50

EXPORTS FROM KENYA

£K million

	1964	1965	1966	1967	1968*a*
United Kingdom	11	11	13	14	16
Uganda	13	15	16	15	14
Tanzania..	14	15	14	12	13
India	2	2	2	2	2
Other Commonwealth	7	7	8	8	8
United States	5	3	5	4	5
West Germany	7	7	9	5	6
Italy	1	1	2	1	1
Netherlands	2	2	3	2	3
Japan	2	2	2	1	2
Other countries	13	13	13	15	17
Total all countries ..	77	78	87	79	86
Of which:					
Commonwealth	47	50	53	51	53
E.E.C.	12	12	14	10	12
EFTA (Continental).. ..	2	2	2	3	2
Eastern Europe	1	1	2	1	1

a Annual rates based on latest data.

The rise in the annual average price for East African tea in London during 1968 did not completely offset the effects of devaluation, but despite this tea exports, valued in £K, grew by about a half in the first three-quarters of the year compared with the same period of 1967, when production had been affected by localised droughts and hail storms.

Net Imports into Kenya a

	Value (*c.i.f.*) £K million	*Index numbers* Volume	Unit Value
1964 ..	88	100	100
1965 ..	101	114	102
1966 ..	123	143	102
1967 ..	119	136	102
1968 (est)	128	..	..

a See Notes on Statistics.

Net Imports into Kenya a

£K million

	Food	Basic materials and base metals	Mineral fuels and lubricants	Machinery and transport equipment	Other manufactures
1964 ..	10	9	10	23	30
1965 ..	13	12	11	23	36
1966 ..	14	12	12	36	42
1967 ..	8	12	18	42	41
Jan.–Oct. *b*					
1967 ..	..	5	10	37	21
1968 ..	..	5	10	32	25

a See Notes on Statistics.

b Principal commodities only. Excluding inter-territorial trade.

TABLE 51

NET IMPORTS INTO KENYA *a*

£K million

	1964	1965	1966	1967	1968*b*
United Kingdom	23	25	38	35	37
Uganda	7	7	7	10	9
Tanzania..	4	5	4	3	4
India	2	2	4	3	3
Hong Kong	1	1	2	1	2
Other Commonwealth	5	4	4	6	6
United States	5	9	11	8	8
France	2	2	4	4	4
West Germany	7	6	8	11	9
Italy	2	2	4	4	5
Netherlands	2	2	3	3	4
Japan	7	9	3	6	8
Iran	2	4	8	9	9
Other countries	19	23	23	16	21
Total all countries ..	88	101	123	119	128
Of which:					
Commonwealth	42	44	59	58	60
E.E.C.	14	15	21	23	24
EFTA (Continental) ..	3	3	4	4	4
Eastern Europe	2	1	3	2	2

a See Notes on Statistics.

b Annual rates based on latest data.

The past five years have seen a progressive deterioration in the trade balance, partly due to adverse terms of trade, partly because of the curtailment of growth opportunities as the manufacturing centre for the East African Community as a whole, and partly due to the rapid expansion of imports of manufactures from Britain, the United States and the E.E.C. and of crude oil from Iran.

Kenya

	Balance of merchandise trade £K million	Terms of trade
1964 ..	−11	100
1965 ..	−22	97
1966 ..	−36	97
1967 ..	−40	91
1968 (est)	−42	..

The wet weather conditions during the early part of the year benefited both the coffee and tea crops and export volumes of these commodities expanded strongly, while higher prices offset seriously reduced cotton yields, so that despite a slight rise in the estimated value of retained imports for 1968 the balance of merchandise trade continued to move in a favourable direction. Gross domestic product was expected to increase by 3 per cent, a slight improvement on 1967, with a high rate of investment in manufacturing offsetting any decline in agriculture—which still accounts for about 60 per cent of G.D.P. A 3 per cent increase, however, would have been less than half the annual average growth rate of 6·3 per cent in G.D.P. aimed at in the Second Five Year Plan.

The devaluation of sterling resulted in an immediate "loss" of £U1 million in the foreign exchange reserves of the Central Bank, but there was a general improvement in the external reserves of both the central and commercial banks compared with the rather tight position ruling in late 1966 and early 1967. Total external reserves rose from about £U2·5 million in March 1967 to £U16 million by the end of May 1968 and the reduction incurred by sterling devaluation would appear to have been absorbed by the seasonal inflow of proceeds from agricultural exports since January 1968. External reserves also benefited from lower drawings on London offices by commercial banks since March 1967.

As a result of credit restrictions imposed in 1967, and increased local production, imports from overseas fell by 5 per cent—enabling import restrictions to be eased somewhat by the middle of 1968. The Ministry of Finance then announced that as a result of the improved position the 20 per cent cash deposit required for letters of credit, as provided for in the last budget, had been lifted, and the proposal to require all imports to be financed by letter of credit was not in fact to be introduced. Earlier in the year an Import Licensing Board had been established to lay down specific policy on import licensing. The stated aims of the Board were to protect "infant" industries, to attract foreign investors by assuring them of a protected home market, and to limit expenditure of foreign exchange and thereby maintain a healthy balance of payments.

Exports from Uganda a

	Exports (f.o.b.) £U million	Domestic exports b £U million					Index numbers	
		Total	*Coffee*	*Tea*	*Cotton*	*Copper*	Volume	Unit Value
1964 ..	76	74	35	2	16	6	100	100
1965 ..	74	72	30	2	17	8	108	90
1966 ..	77	76	35	3	15	6	116	89
1967 ..	78	77	35	3	15	5	112	90
Jan.–Oct.								
1967 ..	65	64	28	3	14	4	..	..
1968 ..	68	68	32	3	14	5	..	..

a See Notes on Statistics.

b Domestic exports for individual commodities for Jan.–Oct. 1967 and 1968 exclude inter-territorial trade.

Domestic exports increased by some 7 per cent during the first ten months of the year compared with the corresponding period of 1967. The value of coffee exports increased by about £U4 million in this period. At 1,947,000, the number of bags exported in the first 9 months of the year exceeded the total for the same period of 1967 by 241,000, to account for some two-thirds of the East African total. The United States and the United Kingdom were the two largest markets for Uganda coffee; by the end of the third quarter of the year 940,000 bags had been shipped to the former compared with 649,000 in 1967, while 525,000 had gone to the latter, a decline of 53,000 compared with 1967. There were significant increases in shipments to Canada, West Germany, the Netherlands, Sweden, Thailand and Sudan, but there were decreases in shipments to Australia and some Middle Eastern countries.

During the year Uganda's initial quota under the new International Coffee Agreement was twice increased under the automatic system which releases more coffee on the world market when prices rise above a certain level. With an initial quota more than 17,000 tons over the 114,160 tons for 1966–67, this enabled some reduction in stocks to be made, with greater exports to non-quota markets. However, at the beginning of the 1968–69 season it was reported that prices for the majority of grades in Uganda were down on 1967.

TABLE 52

EXPORTS FROM UGANDA

£U million

	1964	1965	1966	1967	1968*a*
United Kingdom	8	11	12	15	15
Kenya	7	7	7	10	9
Tanzania..	2	3	3	2	2
India	5	4	2	3	4
Other Commonwealth	6	5	8	7	8
United States	18	14	17	14	18
West Germany	4	2	3	2	3
Japan	2	2	3	6	8
China	3	6	1	1	2
Other countries	21	20	21	18	12
Total all countries.. ..	76	74	77	78	82
Of which:					
Commonwealth	28	30	32	37	38
E.E.C.	11	12	8	7	7
EFTA (Continental).. ..	1	1	2	1	1
Eastern Europe	1	1	3	—	1

a Annual rates based on latest data.

The wet conditions prevailing at the beginning of the year resulted in a dramatic increase in tea production, but sterling prices weakened after the sterling devaluation on account of the large volume of tea from all sources reaching the United Kingdom. Copper exports expanded strongly. The increased value of copper exports under the agreement with Japan, signed early in 1968, whereby that country was to take Uganda's entire copper output for the next five years, accounted for the rise in total exports to that market. In contrast to the three commodities so far mentioned cotton production and exports were adversely affected by wet weather. Prices improved during the year, compared with 1967, but output was severely affected. The government continued to encourage the planting of the new SATU and BPA types of cotton. These types give higher yields, have longer staples and stronger fibres, and are more resistant to disease, while BPA has the additional advantage of being suitable for the wet areas in south Uganda. It is intended to go over to these new strains completely by 1971.

The Uganda Ministry of Commerce and Industry suspended exports of edible oil from Uganda from the beginning of November 1968. This measure was taken in view of a temporary shortage of cottonseed in the country and to ensure that a sufficient supply of edible oil was available in the country.

Net imports into Uganda a

	Value (c.i.f.)	Index numbers	
	£U million	Volume	Unit Value
1964	46	100	100
1965	58	122	102
1966	59	129	101
1967	57	119	105
1968	58 (est.)	..	..

a See Notes on Statistics.

The textile industry in Uganda has been facing increasing foreign competition, and particularly from within East Africa in the case of lower grades of piece goods. In order to protect the market to some extent for locally-produced textiles Uganda imposed a ban on all imports of cotton textiles from outside East Africa in January 1969.

Net imports into Uganda a

£U million

	Food	*Basic materials and base metals*	*Mineral fuels and lubricants*	*Machinery and transport equipment*	*Textiles and clothing*	*Other manufactures*
1964 ..	5	2	3	12	9	12
1965 ..	6	3	3	15	10	15
1966 ..	6	4	3	16	8	18
1967 ..	6	4	3	17	5	19
Jan.–Oct.*b*						
1967 ..	..	2	..	15	3	6
1968 ..	..	2	..	13	4	8

a See Notes on Statistics.

b Principal commodities only. Excluding inter-territorial trade.

TABLE 53

NET IMPORTS INTO UGANDA *a*

£U million

	1964	1965	1966	1967	1968*b*
United Kingdom	11	16	15	14	15
Kenya	13	15	16	15	14
Other Commonwealth	4	6	6	4	5
West Germany	4	4	5	5	5
Japan	5	4	2	3	4
Other countries	9	13	15	16	14
Total all countries.. ..	46	58	59	57	58
Of which:					
Commonwealth	28	37	37	33	34
E.E.C.	7	9	11	11	11
EFTA (Continental).. ..	1	2	2	2	2
Eastern Europe	—	1	1	2	1

a See Notes on Statistics.

b Annual rates based on latest data.

	Uganda Balance of merchandise trade £U million	*Terms of trade*
1964	+29	100
1965	+16	88
1966	+18	88
1967	+21	86
1968	+24 (est.)	..

TANZANIA

At the time of sterling devaluation, which was not followed by corresponding change of the par rates for currencies which replaced the East African shilling, the outlook for the overall balance of payments of Tanzania was officially regarded as promising. This was so despite expectation of a substantial rise in the value of imports in 1968, with exports probably no higher than in the previous year. During the first half of 1968 changes in foreign asset holdings of monetary institutions did, indeed, indicate an overall balance of payments surplus. By the end of May 1968, foreign exchange holdings of the Bank of Tanzania and the commercial banks increased to a seasonal peak of over £T33 million. The rise, however, reflected inflows of export proceeds resulting from 1967 crops, some of which were harvested rather late. In June these holdings fell slightly by some £T1 million (still £T5 million up on the comparable 1967 figure), as imports began to increase at the same time as exports were falling off.

During the first seven months of 1968 the value of total imports expanded more than export clearances, and the balance of merchandise trade moved into substantial deficit. The poor condition of the sisal industry, the major weak spot in the trade and economic field, had been accentuated by the devaluation of sterling, and late in 1968 the Minister of Agriculture announced his Government's intention to "sell direct to the consumer market" instead of "through agents overseas". Earlier the Ministry of Commerce and Industries had made public its intention to establish an Export Promotion Bureau, for which Tanzania had obtained secondment of three officials from the Swedish International Development Authority and GATT.

One of the more important elements in the trade and payments situation of Tanzania arises out of the urgent efforts being made in Zambia and East Africa to divert trade from Rhodesia. In October 1968 the Zambian Minister of Finance signed a £4 million loan contract with the World Bank for the last stage of the Great North Road linking the vast Northern Province with Tunduma on the Tanzania border. Tanzania received U.S. aid for the construction of the road within its borders. Alongside the Great North Road runs the newly-completed Tazama fuel pipeline which, at the cost of £16 million, ended petrol rationing in Zambia in 1968. The pipeline has terminals at Ndola (close to the Copperbelt) and Dar-es-Salaam. Transport links between these terminals also included a shuttle service by Hercules freight aircraft. But Zambian trade dependence on the Victoria Falls Bridge route may not end completely until about 1975, when the railway to Dar-es-Salaam is due to be completed. This link is being undertaken by the People's Republic of China—at a reported cost of more than £100 million, the biggest Chinese aid project anywhere in the world. During 1968 some 300 Chinese technicians were reportedly making a detailed survey of the rail route, which is expected to run close to the pipeline.

Domestic exports increased by about 3 per cent during the first ten months of the year compared with the same period of 1967. During this period coffee exports expanded in value and production continued to increase, the 1967–68

Exports from Tanzania a

	Exports (f.o.b.) £T million	Domestic Exports b £T million						Index numbers	
		Total	Coffee	Cotton	Sisal	Diamonds	Petroleum products	Volume	Unit Value
1964	75	74	11	10	22	7	—	100	100
1965	69	67	9	12	14	7	—	102	88
1966	88	83	15	18	12	9	—	129	88
1967	83	81	12	13	10	11	7	129	87
Jan.–Oct.									
1967	66	65	9	10	8	10	6	..	..
1968	69	67	11	11	6	6	7	..	..

a Tanganyika only: Zanzibar included from January 1968.

b See Notes on Statistics.

crop of 740,000 bags comparing with 718,000 in the previous year while a total of 900,000 bags was forecast for 1968–69. Volume data for the first three quarters of 1968 showed an increase of 24,000 to 561,000 bags exported, compared with the same period of 1967. There was a sharp rise in shipments to the United States, from 55,000 to 129,000 bags. Sales to the United Kingdom increased by some 80 per cent to 47,000 bags, but those to Canada fell by 56 per cent to 18,000 bags. Small falls also occurred in shipments to E.E.C. countries with the exception of the Netherlands.

Cotton exports also rose during the first ten months of the year, but later estimates as to the size of the 1968–69 crop indicated that the rate of expansion would be unlikely to be maintained for the entire year. The revised production estimate for 1968–69 was only 53,000 tons compared with 69,000 tons in 1967–68, due to considerable damage from heavy rains during the growing season accompanied by excessive weedgrowth and insect build-up. Cotton production and exports would thus be back approximately to the depressed level of the 1964–65 season.

From January through November 1968 production of sisal fell 22,000 tons below the 200,000 tons of the same period of 1967. The export quota under F.A.O. arrangements was set at 200,000 tons for 1969—the same as in 1968—although the Consultative Sub-Committee on Hard Fibres, meeting in Rome towards the end of 1968, had estimated world import requirements of sisal for the following year at one per cent down on the 642,000 metric tons for 1968. Later the East African Conference Lines announced that, with effect from 1 February 1969, all freight rates from East African to European ports would go up by 10 per cent, and the Suez Canal deviation charge would continue. This was an added handicap in the task of competing with Brazilian supplies.

The value of exports of diamonds from Tanzania was very substantially reduced in the first ten months of 1968, partly due to adverse weather conditions affecting mining operations. However, the high rate of expansion achieved in the previous year was partly the result of a heavy carryover of stocks from 1966. Exports of petroleum products, which commenced in 1967 from a new refinery at Dar-es-Salaam, showed evidence of further expansion in 1968.

During the ten-month period to October 1968 exports to both Uganda and Kenya were up on the 1967 figures. It was expected that Tanzanian exports of aluminium products, vegetable oils and oil products, tyres and tubes and selected textile clothing products would be likely to benefit from increased ease of access to Uganda and Kenya under the terms of the East African Community Treaty. The substantial growth of trade with Zambia largely reflects the development of the Rhodesian situation, while the decline of Tanzanian exports to Britain in 1968 was largely a consequence of the depressed world market conditions for sisal.

TABLE 54

EXPORTS FROM TANZANIA *a*

£T million

	1964	1965	1966	1967	1968*b*
United Kingdom	20	18	22	24	20
India	4	5	6	5	4
Hong Kong	4	5	7	6	6
Kenya	4	5	4	3	4
Australia..	2	1	1	1	1
Other Commonwealth	7	6	10	11*c*	14*c*
United States	6	4	6	4	5
Belgium	3	2	2	2	2
West Germany	6	5	6	4	4
Netherlands	4	3	3	3	3
Japan	3	2	5	3	5
Other countries	12	13	16	17	17
Total all countries.. ..	75	69	88	83	83
Of which:					
Commonwealth	41	40	50	50	48
E.E.C.	15	12	13	12	10
EFTA (Continental).. ..	2	2	2	2	2
Eastern Europe	1	1	2	2	1

a Tanganyika only for years 1964–1967.
b Annual rates based on latest data.
c Of which Zambia 6 in 1967, 10 in 1968.

Net Imports into Tanzania a

	Value (c.i.f.)	*Index numbers b*	
	£T million	Volume	Unit value
1964	60	100	100
1965	67	111	103
1966	80	140	104
1967	79	134	110
1968	93 (est.)	..	..

a See Notes on Statistics. Tanganyika only: Zanzibar included from January 1968.
b Tanganyika only.

Net Imports into Tanzania a

£T million

	Food	*Basic materials and base metals*	*Mineral fuels and lubricants*	*Machinery and transport equipment*	*Other manufactures*
1964 ..	5	5	4	13	28
1965 ..	6	5	4	16	32
1966 ..	8	5	5	21	37
1967 ..	7	7	7	24	31
Jan.–Oct. *b*					
1967 ..	..	4	4	21	13
1968 ..	..	3	6	22	19

a Tanganyika only: Zanzibar included from January 1968. See Notes on Statistics.
b Principal commodities only. Excluding inter-territorial trade.

Net imports increased substantially in the January–October period of 1968, compared with the same months of 1967. Higher values were recorded for all categories except basic materials and base metals. A sharp rise in imports had been expected because of the need to replenish the low stocks of consumer goods, while imports of iron and steel, machinery and transport equipment were expected to expand in line with industrial and infrastructural developments.

TABLE 55

NET IMPORTS INTO TANZANIA *a*

£T million

	1964	1965	1966	1967	1968*b*
United Kingdom	15	16	19	19	22
Kenya	13	14	13	11	13
Uganda	2	3	3	2	2
India	2	3	3	2	3
Other Commonwealth	3	3	6	6	5
United States	3	3	4	5	4
West Germany	3	4	5	4	5
Netherlands	2	2	3	3	4
Japan	7	5	4	3	6
Iran	1	1	2	4	5
Other countries	9	13	18	20	27
Total all countries.. ..	60	67	80	79	93
Of which:					
Commonwealth	35	39	44	40	45
E.E.C.	8	12	14	17	19
EFTA (Continental).. ..	2	2	2	2	2
Eastern Europe	1	1	1	2	2

a Tanganyika only for years 1964–1967. See Notes on Statistics.

b Annual rates based on latest data.

Classified by origin, import values were appreciably higher from all major groups in the first ten months of 1968. Among individual countries there were noteworthy increases from India, Hong Kong and Japan. The only significant reductions to be recorded in this period, compared with the same period of the previous year, were in respect of merchandise imports from Italy, Canada and the United States, each of which has been active with financial aid, technical assistance and/or civil engineering contracts in connection with Tanzania–Zambia transport links. The rapid growth of imports from Iran is accounted for by the coming on stream of the Dar-es-Salaam oil refinery in 1966 and the development of exports of petroleum products in 1967 and 1968.

	Tanzania a	
	Balance of merchandise trade	*Terms of trade*
	£T million	
1964	+ 15	100
1965	+ 2	85
1966	+ 8	85
1967	+ 4	79
1968	− 10	..

a Tanganyika only: Zanzibar included from January 1968.

The sharp growth of imports since 1964, by about one half, combined with only a modest growth in the value of exports (in the face of a serious deterioration in the terms of trade) has resulted in a marked swing from surplus into deficit of the balance of merchandise trade.

With the products of the sugar cane accounting for about 95 per cent of exports, utilizing over 90 per cent of the arable land in the island, and giving employment to over a fifth of the entire labour force, the economic fortunes of Mauritius have tended to exhibit the usual precarious features of a monoculture system—tempered by the Commonwealth connexion. Rapid expansion of the work force, coupled with a decline in gross domestic product, created widespread unemployment, estimated at 15 per cent of the active population in early 1968. Not surprisingly, therefore, the current development programme lays great emphasis on developing sources of employment and official revenue other than sugar.

One such avenue for diversification is tourism, which is advancing rapidly. Statistics for 1967 showed an increase of 16 per cent over 1966 in the number of visitors to the island: tourism now contributes something in the region of Rs13 million a year and is, therefore, second only to sugar as a foreign exchange earner. Tea is also being encouraged and it is planned to quadruple the 1967–68 acreage by 1970. Several new tea factories have been established and exports to the United Kingdom and South Africa are increasing each year. The establishment of viable secondary industries continues to receive every possible encouragement from the Government by way of development certificates providing tariff protection and tax moratorium for five to eight years, and it is estimated that 20 per cent of the Government's capital spending in the period 1966–70 will be on loans to the Industrial Development Bank to finance new enterprises. The programme to erect a vegetable oil refinery was progressing well in early 1968 and a project to produce compound fertiliser from imported raw materials was in the course of implementation. It was hoped that production under this latter project would commence in 1969, with local consumption of about 60,000 tons and exports of some 40,000 tons. British aid for development in 1968–69 was fixed at Rs33·5 million, with technical aid for the same period to amount to Rs3 million.

Exports from Mauritius

Rs million

	Total	*Sugar a*	*Molasses*	*Tea*
1964	366·5	337·4	8·8	4·4
1965	313·2	283·4	5·0	5·9
1966	337·0	306·5	11·5	6·5
1967	304·6	279·4	8·5	8·4
Jan.–June				
1967	43·9	27·8	5·3	6·0
1968	88·4	71·2	4·3	6·8

a Including quota certificates

Sugar production declined from 628,270 tons in 1967 to 587,155 tons in 1968, the lower cane yield being partly offset by higher sucrose content. More sugar was exported during 1968, however, partly out of the previous year's crop, especially in the first half of the year. The volume exported was 568,901 tons, compared with 523,039 tons in 1967. A preliminary value figure for 1968 was set at Rs293 million, an increase of 5 per cent over 1967, but a fall of 10 per cent in terms of U.S. dollars. In 1968 exports to the United Kingdom fell 12 per cent in volume to 414,301 tons, accounting for only 73 per cent of the total compared with 90 per cent in the previous year. Export volume to the United States showed a small decrease, but that to Canada, a preferential dollar market, shot up from 36,150 tons in 1967 to 139,200 tons in 1968, at which level it represented a quarter of total sugar exports compared with under a tenth in 1967. At the International Sugar Conference, October 1968, Mauritius obtained an annual quota of 566,000 tons for five years beginning 1969. A total of 400,400 tons will be sold to the United Kingdom and the United States under bilateral agreements, leaving a balance of 165,000 tons to be sold on the free market. The agreement fixes the free market price fluctuation between 5·25 U.S. cents and 3·25 U.S. cents per pound. Early in December 1968 the Commonwealth Sugar Agreement was renewed leaving the basic price at £43 10s a ton with certain additional variable payments to less developed Commonwealth countries.

TABLE 56

EXPORTS FROM MAURITIUS

Rs million

	1964	1965	1966	1967	1968 *a*
United Kingdom	272	239	268	267	221
Canada	57	28	31	9	50
Other Commonwealth	6	9	4	2	4
United States	5	14	16	16	16
Other countries	26	23	18	11	18
Total all countries ..	366	313	337	305	310
Of which:					
Commonwealth	335	276	303	278	275
E.E.C.	14	1	1	4	3

a Annual rates based on latest data.

Tea production increased from 4·8 million lb in 1967 to 5·0 million lb in 1968, the amount exported increasing from 3·5 million lb to 3·8 million lb. Provisional figures put the value of 1968 tea exports at Rs9·3 million compared with Rs8·4 million in the previous year. Following devaluation, the rupee value of exports to South Africa expanded by over 12 per cent in the first six months of 1968 compared with the corresponding period of 1967. In contrast to tea and sugar, exports of molasses showed a decline in the first six months of the year, one of nearly 20 per cent compared with the similar period of 1967. Exports of molasses to the United Kingdom fell from Rs1·7 million to Rs0·8 million on this basis of comparison.

Imports into Mauritius

Rs million

	Total	*Food*	*Basic materials and base metals*	*Mineral fuels and lubricants*	*Machinery and transport equipment*	*Other manufactures*
1964 ..	388·9	105·9	35·9	17·0	70·3	152·2
1965 ..	367·3	108·0	35·5	17·7	56·3	142·7
1966 ..	333·2	109·6	35·7	15·4	36·9	130·6
1967 ..	371·1	118·5	40·5	25·4	43·7	138·0
Jan.–June						
1967 ..	176·2	59·1	19·8	9·8	22·8	62·5
1968 ..	206·8	67·9	19·6	16·4	31·2	69·0

Total imports rose by over 17 per cent in the first six months of 1968 compared with those in the first six months of 1967. Much of the rise was due to the needs of the development programme. Machinery and transport equipment increased by over 36 per cent while mineral fuels and lubricants expanded by 66 per cent, increases in the last mentioned group coming in imports from the United Kingdom, Kenya and South Africa. Imports of "other manufactures" increased by over 10 per cent, including rises in fertilisers and cotton fabrics from the United Kingdom and in cotton fabrics from Pakistan. Lower values were recorded for imports of cotton textiles from Japan, India and Hong Kong, and higher values for synthetic fabrics from Pakistan, India and Japan. In the food section imports of fish rose, with increased supplies from South Africa, Japan and Morocco, underlining the logic of the encouragement to the local fishing industry now being given under the development programme. Imports of potatoes also increased, with the bulk of the rise again coming in purchases from South Africa.

TABLE 57

IMPORTS INTO MAURITIUS

Rs million

	1964	1965	1966	1967	1968 *a*
United Kingdom	115	98	79	78	117
Australia..	31	24	24	28	26
Kenya	10	12	10	12	22
Hong Kong	13	10	9	10	9
India	16	11	10	9	13
Other Commonwealth	11	16	16	18	21
France	17	21	20	20	26
West Germany	14	15	20	26	25
Italy	10	7	11	7	6
South Africa	32	35	27	31	32
Burma	26	23	23	27	26
Japan	16	14	14	17	13
Thailand	14	17	14	16	22
Iran	11	11	11	18	16
Other countries	53	53	45	54	60
Total all countries ..	389	367	333	371	434
Of which:					
Commonwealth	196	171	148	155	208
E.E.C.	55	48	61	66	69
EFTA (Continental).. ..	10	11	8	10	24

a Annual rates based on latest data.

CYPRUS

A growth rate of 10 per cent in gross national product was recorded for 1967, the first year of the second five-year plan; this was well above the targeted annual average of 6·8 per cent. The agricultural sector made by far the largest contribution to this increase and, with continued expansion of agricultural output experienced in the first half of 1968, it seemed likely that the planned rate of growth would be achieved for the year as a whole. Production increases were recorded in many key commodities; the record 1967–68 citrus crop was satisfactorily disposed of and production recorded an all-time high in 1968, but cereal production was adversely affected by early drought, so that wheat and barley production were much lower than in 1967. In mining, activity remained more or less stable but exports of minerals went up substantially, to £9·2 million in the first nine months of 1968 (compared with £6·1 million), while in manufacturing a steady expansion in output was recorded over the period.

In March 1968 the Government raised the import duty on several items in an effort to protect local industry, and at the same time reduced the tariffs on a number of raw materials to make local products more competitive. In the same month, a five-year Trade Agreement was signed with the Soviet Union, providing for increased shipments from Cyprus of brandy alcohol, tobacco, citrus products, almonds, footwear and clothing in exchange for fuel oil, machinery, maize, sugar, timber and textiles from the Soviet Union. Trade between the two countries was set to rise to over £12 million each way from the current level of under £2 million. A trade and payments agreement with Czechoslovakia was renewed in June, covering agricultural and mineral exports from Cyprus and manufactured goods and sugar from Czechoslovakia.

Cyprus

£ million

	Exports (f.o.b.) Domestic	Re-exports	Total	Imports (c.i.f.)	Balance of merchandise trade
1964 ..	17·9	1·9	19·8	36·9	−17·2
1965 ..	23·1	1·8	24·9	50·0	−25·2
1966 ..	27·1	1·7	28·8	53·9	−25·2
1967 ..	27·0	2·2	29·2	58·1	−28·9
Jan.–June					
1967 ..	17·1	0·8	17·9	28·6	−10·8
1968 ..	20·3	1·1	21·5	34·0	−12·6

Index numbers

	Exports		Imports		Terms of trade
	Volume	Price	Volume	Price	
1964	100	100	100	100	100
1965	118	109	130	105	103
1966	122	124	146	101	123
1967	139	110	156	102	108

During the first six months of 1968, exports in terms of local currency achieved the same high rate of growth as imports, which went up by about a fifth, but the currency had been devalued in line with sterling in November 1967 so that the dollar value of trade advanced less than the world average. The deficit on merchandise trade increased slightly over this period, but owing to the fact that seasonally high agricultural exports and low imports are normally recorded in the first half of each year, this deficit was expected to increase rather more substantially in the second half of the year. As in previous years, however, the deficit was expected to be more than offset by receipts from invisibles, mainly foreign military expenditure (by far the largest contributor), tourism and private remittances. Tourist earnings in 1968 were expected to reach a record level in excess of £5 million.

Exports from Cyprus

£ million

	Beverages	Fruit and vegetables	Iron pyrites	Copper concentrates cupreous pyrites and cement copper
1964	1·0	7·2	1·5	4·8
1965	1·6	8·5	1·8	6·6
1966	2·2	9·8	2·1	9·1
1967	2·4	12·8	2·5	5·3
Jan.–June				
1967	1·2	9·5	1·2	3·2
1968	1·6	10·7	1·7	4·6

The substantial rise in exports during the first half of the year was largely attributable to increases in basic minerals and foodstuffs. The rise in sales of cupreous concentrates, copper cement and iron pyrites largely reflected favourable prices received for these minerals, which are exported mainly to West Germany, Spain and Italy. The increase in exports of foodstuffs reflected larger shipments of citrus products, raisins and grapes, but this increase was offset to some extent by smaller shipments of potatoes to countries other than the United Kingdom. Wine exports, which are shipped mainly to Britain and the Soviet Union, also rose appreciably over this period.

TABLE 58

EXPORTS FROM CYPRUS

£ million

	1964	1965	1966	1967	1968*a*
United Kingdom	8·2	7·7	9·4	11·8	14·5
Other Commonwealth	0·6	0·6	0·4	0·3	0·3
West Germany	2·6	4·7	5·8	2·9	6·6
Netherlands	0·7	1·5	1·5	1·4	2·0
Spain	1·2	2·0	2·6	1·4	1·7
Soviet Union	0·2	1·1	1·7	1·7	2·2
Other countries	6·3	7·3	7·4	9·7	7·5
Total all countries.. ..	19·8	24·9	28·8	29·2	34·8
Of which:					
Commonwealth	8·8	8·3	9·8	12·1	14·8
E.E.C.	5·7	8·0	9·2	7·0	10·9
EFTA (Continental).. ..	0·6	0·7	0·6	0·8	0·7
Eastern Europe	1·0	2·6	3·1	3·5	3·8

a Annual rates based on latest data.

Exports to the United Kingdom, the principal trading partner, continued to rise appreciably during the first half of the year, with higher sales of potatoes, wine and minerals, but shipments to other Commonwealth markets declined notably. A significant improvement was recorded in trade with West Germany due to increased deliveries of copper concentrates, cement copper and other pyrites. This recovery, together with increased shipments to the Netherlands and France, accounted for the rise in trade with the E.E.C. Trade with the Soviet Union and Spain, other important markets, remained buoyant.

Imports into Cyprus

£ million

	Food	*Basic materials and base metals*	*Mineral fuels and lubricants*	*Machinery and transport equipment*	*Other manufactures*
1964 ..	7·5	3·5	3·4	6·9	15·5
1965 ..	7·7	4·7	3·6	12·6	21·3
1966 ..	8·0	5·1	3·8	12·9	22·8
1967 ..	8·6	5·5	4·4	13·7	24·9
Jan.–June					
1967 ..	4·6	2·5	1·9	6·9	11·7
1968 ..	4·7	2·9	3·1	8·3	13·7

Most of the increase in imports was attributable to higher imports of manufactured goods, notably machinery and transport equipment, accompanied by a significant rise in fuels and lubricants. (Owing to a change in nomenclature, in 1968, it is difficult to attribute many of the increases in other manufactured goods.) The increase in food imports, while only slight, resulted largely from the higher value of seed potatoes (this vegetable being the country's chief agricultural export). As would be expected from the composition of imports and the devaluation of sterling and the £C, the United Kingdom increased its share of the market: main items were machinery and transport equipment, and textile yarns and fibres. Italy's share also increased noticeably with an expansion in fuels, machinery and woollen textiles.

TABLE 59

IMPORTS INTO CYPRUS

£ million

	1964	1965	1966	1967	1968*a*
United Kingdom	10·9	16·2	16·6	17·9	22·8
Other Commonwealth	2·7	3·0	3·2	2·3	2·8
United States	2·2	1·5	2·5	3·0	3·6
France	1·7	3·1	2·6	2·8	3·0
West Germany	2·7	3·9	4·8	5·1	5·4
Italy	3·3	5·0	5·1	5·7	7·4
Belgium-Luxembourg	0·9	1·2	1·4	1·5	1·8
Netherlands	1·4	1·7	1·7	1·9	1·9
Greece	1·1	1·6	2·0	2·3	2·5
Japan	0·9	1·6	1·9	2·1	2·2
Soviet Union	0·5	1·6	1·5	1·3	1·4
Other countries	8·6	9·6	10·6	12·2	13·5
Total all countries.. ..	36·9	50·0	53·9	58·1	68·3
Of which:					
Commonwealth	13·6	19·2	19·8	20·2	25·6
E.E.C.	10·0	16·5	15·6	17·0	19·5
EFTA (Continental).. ..	2·6	3·6	3·6	3·8	4·6
Eastern Europe	2·0	3·4	3·3	4·1	4·4

a Annual rates based on latest data.

MALTA

The deficit on merchandise trade widened appreciably in 1968, despite the growth of total exports, as imports running at about four times the level of exports climbed to £51 million sterling, the bulk of the increase coming from Britain. The high value of imports was associated with the Governments' efforts to re-structure the economy, from one formerly dependent on British defence bases, to one based on tourism, export-oriented industry, and agriculture. This change is being effected by widening and deepening the existing infrastructure and by offering special incentives to investors, including loans and grants for plant and machinery (through the agency of the recently established Malta Development Corporation) and exemption from Customs duty on almost all capital equipment and raw materials associated with industrial production and tourist development.

The 1968/69 Budget provided £12·1 million for capital investment, of which £7·8 million was allocated for expanding infrastructure, including port facilities, and for provision of basic services. A sum of £1·1 million was earmarked for tourist development and £1·5 million for industrial development (about half of which was for machinery grants), with a further £0·1 million for assisting factory development. Government efforts to reallocate resources appear to be meeting with success: despite the run-down in the strength of British forces and a slowing down in emigration, the number of unemployed fell to 4,388 in November 1968, compared with 5,233 and 7,208 in the corresponding months of 1967 and 1966 respectively.

In the past the trade deficit had been largely off-set by British defence expenditure, and although the dry docks are still available to NATO forces in the Mediterranean the earnings from this asset are increasingly being supplemented by other invisibles, notably tourist earnings, by British capital aid (amounting to between £5 and £6 million per annum), and private remittances. Income from tourism was expected to reach a record level of £9 million for 1968, following a 30 per cent increase in the number of tourist arrivals during the year. The potentiality of the Marsamxett Harbour is also being exploited to become an international yachting centre. Land prices have increased eightfold in the past few years and the building industry is fully stretched to provide flats and villas for settlers in the island.

Malta

£ million

	Domestic exports (f.o.b.)	*Re-exports (f.o.b.)*	*Total exports (f.o.b.)*	*Imports (c.i.f.)*	*Balance of merchandise trade*
1964 ..	4·1	1·0	5·2	34·0	−28·8
1965 ..	6·1	0·7	6·9	34·2	−27·3
1966 ..	7·6	0·9	8·5	37·8	−29·3
1967 ..	7·0	1·2	8·1	40·1	−32·0
Jan.–Nov.					
1967 ..	6·5	1·1	7·6	36·6	−27·8
1968 ..	9·3	1·4	10·7	46·4	−33·8

Exports from Malta

£ million

	Textiles	*Clothing*	*Fruit and vegetables*	*Beverages*	*Metal scrap*
1964 ..	1·4	0·4	0·3	0·3	0·3
1965 ..	2·4	0·6	0·4	0·3	0·4
1966 ..	3·1	1·2	0·7	0·4	0·4
1967 ..	2·4	1·5	0·5	0·3	0·3
Jan.–Oct.					
1967 ..	1·8	1·1	0·5	0·3	0·2
1968 ..	1·9	1·7	0·8	0·3	0·3

The growth of domestic exports during 1968 resulted from increases in all major items, particularly clothing, which registered a 50 per cent increase over the previous year and is rapidly replacing textiles as the main export item. These two items together accounted for over 40 per cent of domestic exports during the year. Although both are subject to import control in the major markets—the United States, the United Kingdom and E.E.C. countries—quota limitations relating to exports of cotton textiles are the more restrictive. Fruit and vegetable exports also recorded an appreciable increase over the previous year, mainly as a result of larger consignments of potatoes and onions to Britain. Large sales of metal scrap to Italy and copper scrap to Belgium and the Netherlands contributed to the rise in metal exports, while the decline in the value of shipments of wine to Switzerland and West Germany were more than off-set by increases to Italy and the Netherlands.

Trade with other Commonwealth countries increased by a half compared with the previous year, almost entirely as a result of increased exports to Britain, which is by far the largest overseas market taking about a third of the total: the main items were clothing, vegetables and flowers, rubber goods and textile

TABLE 60

EXPORTS FROM MALTA

£ million

	1964	1965	1966	1967	1968a
United Kingdom	1·9	2·2	2·8	3·0	4·7
Other Commonwealth	0·4	0·4	0·4	0·6	0·6
Italy	0·5	0·7	0·6	0·9	1·4
Netherlands	0·1	0·3	0·4	0·3	0·4
United States	0·1	0·4	1·0	0·7	0·7
Libya	0·7	0·6	0·8	0·8	0·8
Other countries	1·5	2·3	2·5	1·8	3·0
Total all countries	5·2	6·9	8·5	8·1	11·6
Of which:					
Commonwealth	2·3	2·6	3·2	3·6	5·3
E.E.C.	0·8	1·4	1·6	1·5	2·8

a Annual rates based on latest data.

yarns. This trade is greatly assisted by the preferential tariffs accorded by Britain, but as Malta is planning to reduce its heavy dependence on Britain by 1974, when the special defence and financial treaties lapse, the Government is seeking wider and larger outlets for its markets. To this end it held preliminary discussions with the European Economic Community in 1968, suggesting special tariff arrangements leading up to complete free-trade, and eventually to Malta's full membership of the Common Market. Decisions on these matters were still outstanding in early 1969, but trade with the E.E.C. countries, particularly Italy, has been expanding steadily in recent years and embraces a wide variety of goods. Libya continues to be a good market and other fast-growing countries in North Africa and the Middle East form a potential market for Maltese goods.

Imports into Malta

£ million

	Food	Basic materials and base metals	Mineral fuels and lubricants	Machinery and transport equipment	Other manufactures
1964	10·9	3·1	2·3	5·3	11·4
1965	10·3	3·5	2·2	5·5	11·5
1966	11·4	3·7	2·3	6·1	13·0
1967	11·6	3·3	2·4	7·0	14·6
1968	13·1	..	3·0	10·1	..

The growth in imports, while partly reflecting higher prices due to the devaluation of the Maltese pound, resulted mainly from large clearances of manufactured goods, especially machinery of all kinds, motor vehicles, chemicals, textile fibres and yarns, as well as basic materials and base metals: most of this increase was associated with the expanding industrialisation programme. Although food imports, particularly meat, dairy products and cereals (excluding wheat) also increased significantly, their share of the total fell noticeably. The major suppliers benefiting from the increase in imports were the United Kingdom, Italy and West Germany, while imports from North and Central America and the Netherlands were running appreciably below the 1967 levels.

TABLE 61

IMPORTS INTO MALTA

£ million

	1964	1965	1966	1967	1968*a*
United Kingdom	12·7	12·7	14·4	15·6	22·4
Australia	1·4	1·4	1·3	1·6	2·0
Other Commonwealth	2·0	1·7	2·0	1·3	1·5
Italy	3·8	4·1	5·2	6·4	8·1
West Germany	1·4	1·1	1·5	1·5	2·0
Netherlands	1·8	2·0	2·0	1·8	1·6
France	1·8	1·5	1·1	1·3	1·7
United States	0·9	0·8	1·6	1·3	1·1
Other countries	8·2	8·9	8·7	9·3	10·5
Total all countries	34·0	34·2	37·8	40·1	51·0
Of which:					
Commonwealth	16·1	15·8	17·7	18·5	26·0
E.E.C.	9·2	9·1	10·4	11·6	14·4

a Annual rates based on latest data.

JAMAICA

From late 1966 Jamaica had been suffering from the cumulative effects of a severe drought which did not break until the last quarter of 1968. As a result, gross domestic product at current prices rose by only 4·4 per cent in 1967, while at constant prices the growth rate was negligible. In terms of volume sugar production, which had fallen substantially in 1967, failed to recover in 1968, the crop of 455,783 tons being 464 tons down on the previous year. Banana production and export shipments also were affected adversely by drought, along with citrus fruits and coffee; and on the industrial side, although output of cement and petroleum products in 1968 recovered the ground lost in the previous year, widespread strikes and riots had their effect.

Notwithstanding the problems of population and under-employment, the year 1968 was one of substantial hope and achievement. At its final plenary session on 24 October the 72 nation UNCTAD Sugar Conference under the Chairmanship of Mr. R. C. Lightbourne, Jamaica's Minister of Trade and Industry, adopted a new international sugar agreement to take effect at the beginning of 1969. Tourism went along well, with an increase of over 18,000 long-stay visitors (three nights and over) in the first eight months of the year. With Jamaica already the largest producer of bauxite in the world and the leading exporter of alumina, about £50 million of new investment in these industries was expected by the end of 1968. During the course of the year Alcoa announced plans for construction of a major bauxite refining plant with an eventual capacity of 880,000 short tons a year, production to commence in 1971.

To offset the slowing down of economic expansion in 1967 the Government introduced, in April 1968, a budget of £93·5 million—an increase of a fifth over 1967–68 expenditure. Price controls were placed on most imported items and the Prime Minister stressed the need to concentrate on making more use of the country's own resources. The effects of the November 1967 devaluation, combined with a heavy inflow of overseas capital, seemed later to be giving the economy a powerful stimulus which would help to bring about the necessary structural readjustment. By all accounts 1968 should have been an exceptional year for the attraction of new industries and the expansion of existing enterprises. By August ten new plants, representing a capital investment of over £4 million and involving a work force of about 800 persons, had gone into production since the beginning of the year. These projects ranged from a flour mill to the production of vehicle radiators and electronic equipment. Over a score of projects were then at an advanced stage of negotiation, involving capital investment of over £12 million and a work force of over 1,700 persons, for producing such items as electrical equipment, gloves, plastics, chemicals, cable and wire and enamelware.

Jamaica applied and was admitted as a member of the Caribbean Free Trade Association at the end of June 1968. Following admission into CARIFTA duty-free entry was granted to a wide range of producers' materials from all sources, and to compensate for the resulting loss of revenue the Government imposed an excise tax ranging from 2½ per cent to 20 per cent, with drawback for exports. This action has affected the tariff preferences enjoyed by Commonwealth suppliers of the affected goods and will, no doubt, increase the competitiveness of the United States, which, besides being Jamaica's principal supplier, has rapidly increased its share of the market in recent years. However, devaluation of sterling and Caribbean currencies in November 1967 had a contrary effect.

Exports from Jamaica

£ million

	Total (f.o.b.)	*Sugar*	*Bananas*	*Bauxite*	*Alumina*
1964	77·9	20·5	6·0	15·7	18·2
1965	76·6	15·6	6·1	17·8	17·4
1966	81·5	17·5	6·4	18·4	19·3
1967	81·5	15·2	6·6	18·7	20·9
Jan.–June					
1967	45·3	12·9	3·3	9·5	10·0
1968	48·1	13·0	3·0	8·9	11·9

The deficit on merchandise trade almost doubled in the first half of 1968 to stand at about four times the level recorded for comparable periods of 1965 and 1966. Exports rose by only 6 per cent compared with an increase in imports of 27 per cent. Although prices for most major export commodities were relatively well-maintained, the volume of agricultural exports was depressed because of the prevailing drought. Imports continued their upward movement with increases in manufactured goods, in foodstuffs (partly resulting from lower domestic production), and in machinery and transport equipment associated with new investment and expansion of existing enterprises. The estimated trade deficit for 1968 as a whole rose to £61·4 million from £44·6 million in 1967. In recent years the trade deficit has been covered by investment inflows and earnings from tourism.

Unrefined sugar exports amounted to 408,000 tons for 1966 and 353,000 tons for 1967—with 215,000 tons of the 1967 crop going to Britain, 93,000 tons to the U.S.A. and 44,000 tons going to Canada. Exports of sugar for 1968 were expected to be: 226,000 tons to the U.K.; 80,000 tons to the U.S.A.; and 66,000 tons to Canada. Molasses continue to fetch about £1 million of export earnings—although increasing interest in beef cattle production seems likely to result in greater use of molasses as feedstuff.

The future of Jamaica's sugar industry has been strengthened by the new guaranteed price of 3·25c. per lb under the International Sugar Agreement, giving better returns on the "free market", especially in Canada, and by the renewal of the Commonwealth Sugar Agreement which maintained its favourable terms of a basic £43 10s 0d per ton. However, with the sugar industry the largest single employer of labour and unemployment a major problem in the country, the Government faced the difficult problem of whether to increase efficiency through mechanisation at the cost of employment. The generation of incomes by a high level of expenditure associated with the bauxite and alumina industries has stimulated the growth of wages in agriculture and thereby provided a financial incentive to do this.

Banana exports, which are directed mainly to the United Kingdom, fell substantially in volume due to a steep decline in production caused by the protracted drought, a falling-off in the use of fertilizers and the need for re-planting. In addition some bananas were diverted from export to the local market as a result of shortages in staple food crops caused by the drought. According to the Jamaica Banana Board, revenue from sales to Britain would have fallen by £2 million in 1968, when for the first time the Windward Islands emerged as the principal supplier of bananas to Britain. (In 1966 Jamaica and the Windwards had agreed, with the approval of the British Board of Trade, to limit supplies, Jamaica taking 52½ per cent of the market and the Windwards 47½ per cent.) It was reported in February 1969 that, in an effort to stimulate production, the Jamaica Government had instructed the Banana Board to increase the price paid to growers from 1¼d/lb to 1½d/lb. This would apparently mean a loss to the Banana Board which, it was claimed, would need a U.K. price of £85 a ton to break even, and in April 1969 the Minister of Agriculture and Fisheries announced a £200,000 subsidy for 1969–70, to peg the price to growers at 1½/lb, along with a fertilizer subsidy which would cost the Government another £65,000.

Citrus exports comprise sweet oranges—sold in the form of fresh fruit and as concentrated juice—as well as grapefruit and ortaniques. Grapefruit segments in cans account for the biggest item of citrus exports, reaching more than £1 million a year. There has been a gradual increase of citrus acreage, particularly in areas which can produce grapefruit early in the crop year to take advantage of high prices in the United Kingdom. Other Jamaican farm products holding their place in export markets include pimento—with sales of over £1 million a year—and coffee, cocoa and ginger.

TABLE 62

EXPORTS FROM JAMAICA

£ million

	1964	1965	1966	1967	1968 *a*
United Kingdom	22·8	20·8	21·6	21·6	20·0
Canada	16·3	12·0	12·3	11·2	10·1
Other Commonwealth	3·0	3·8	4·8	4·2	4·7
United States	27·5	29·3	30·9	32·4	38·0
Norway	3·9	5·3	5·4	6·8	7·1
Other countries	4·4	5·4	6·4	5·3	6·6
Total all countries ..	77·9	76·6	81·5	81·5	86·5
Of which:					
Commonwealth	42·1	36·6	38·7	37·0	34·8
E.E.C.	1·3	1·4	1·7	1·2	1·9
EFTA (Continental).. ..	5·2	7·0	7·2	8·5	9·3
Eastern Europe	1·0	0·5	0·2	—	—

a Estimates.

In 1968 exports to the United Kingdom showed a weaker tendency, with lower values for bananas in particular, and those to Canada in the first half of the year recorded decreases in alumina and rum which more than offset an increase in sugar. The value of exports to the United States rose, almost entirely due to the change in the exchange rate—export contracts being in dollars.

Imports into Jamaica

£ million

	Total (c.i.f.)	*Food*	*Basic materials and base metals*	*Mineral fuels and lubricants*	*Machinery and transport equipment*	*Other manufactures*
1964 ..	100·5	20·8	9·5	8·9	21·5	38·0
1965 ..	103·2	20·4	10·5	9·0	22·8	38·8
1966 ..	116·7	22·6	11·5	9·5	28·4	43·0
1967 ..	126·1	24·3	12·5	10·2	31·8	45·7
Jan.–June						
1967 ..	62·4	11·9	5·5	4·6	16·4	23·1
1968 ..	78·7	14·8	6·8	6·0	22·2	27·9

TABLE 63

IMPORTS INTO JAMAICA

£ million

	1964	1965	1966	1967	1968 *a*
United Kingdom	25·3	25·3	25·9	25·2	30·0
Canada	10·7	11·6	12·7	14·4	14·5
New Zealand	2·0	1·8	2·4	2·0	3·7
Trinidad	1·9	0·7	0·5	0·7	0·9
Other Commonwealth	5·0	5·4	5·1	6·2	5·3
United States	31·3	32·5	42·6	48·8	61·1
West Germany	3·4	3·2	3·9	3·7	4·3
Netherlands	2·0	1·6	1·7	1·8	2·0
Netherlands West Indies ..	2·1	2·1	2·2	1·9	1·8
Japan	3·6	3·5	2·0	2·9	3·1
Venezuela	5·2	7·9	7·0	6·8	8·3
Other countries	8·0	7·6	10·7	11·7	12·9
Total all countries ..	100·5	103·2	116·7	126·1	147·9
Of which:					
Commonwealth	44·9	44·8	46·6	48·5	54·4
E.E.C.	8·4	8·8	10·7	10·4	12·2
EFTA (Continental).. ..	2·2	2·3	2·3	2·7	3·1
Eastern Europe	0·1	0·1	0·1	—	—

a Estimates.

Imports classified by commodity show the expected sharp growth of the food category, on account of the drought, higher incomes and the effect of devaluation on the cost of shipments from the United States and Canada. With an import bill for food now of about £30 million annually, there is considerable need for more food for local use, including the requirements of tourist hotels. There is a steadily growing demand for poultry, meat, eggs and fresh milk, and production of these is increasing to meet the demand. The Government has recently provided subsidies on concentrated feed for pigs and poultry, and this has served to increase the tonnages produced by local factories (from imported grains and other feedingstuffs.) Official restrictions have been placed on the importation of canned and frozen fruit and vegetables, and this has helped to encourage local production in these categories. However, there is not likely to be any replacement of imported butter and cheese because most milk production goes to the manufacture of sweetened condensed milk. The demand for this product is not served from local fluid milk production; butter fat and skim milk powder have to be imported to make up the shortage of fluid milk. Notable advance has been made in the production of white potatoes: the country is now self-sufficient and a small export trade is being developed. The crop provides a lucrative market for seed potato growers in Canada and elsewhere. Potato production is also supplying an excellent training ground for the extended use of machinery, fertilizers and other farm chemicals, the growers of this crop being among the most technically advanced.

TRINIDAD & TOBAGO

Following devaluation in line with sterling at the end of the previous year, internal prices rose by an unprecedented 9 per cent in 1968. Real per capita incomes, however, rose by 2 per cent. Total exports increased by about a quarter, against a much smaller rise in imports, and the country's overseas reserves went up by over $TT30 million. For agriculture the year was one of greater production of sugar, coffee and cocoa, and diversification led to smaller requirements of imported food. In the major industrial sector crude oil output was 67 million barrels, about 2 million barrels more than in 1967, and with imports of crude higher by 7·7 million barrels, refinery throughput increased by 10 per cent. There were good prospects for commercial quantities of natural gas found off Trinidad's east coast, and while north coast seismic surveys were being evaluated large international companies offered to do further exploration in the area. The Government began negotiations with British Petroleum (Trinidad) Limited, for a joint venture with a small independent company having an international reputation in secondary recovery methods, and official plans were announced for the formation of a National Petroleum Company to concern itself with areas not covered by existing leases or agreements.

In the manufacturing sector there was a large expansion in production and exports of fertilizers and ammonium compounds, an increase in the number and variety of food processing plants and the establishment of a second motor car assembly plant—which resulted in a sharp drop in imports of fully assembled vehicles. In agriculture, the effect of the Government's policy linking development with expansion in the processing industries, together with its efforts to diversify production, were reflected in the restricted growth of food imports in terms of volume. However, as a result of devaluation the recorded value of food imports was higher in 1968 than in the preceding year.

Exports from Trinidad & Tobago

$TT million

	Total (f.o.b.)	*Petroleum and petroleum products (a)*	*Chemicals*	*Sugar*	*Cocoa*
1964	643	518	28	48	5
1965	644	521	36	42	4
1966	688	539	57	38	4
1967	720	596	78	38	6
Jan.–Nov.					
1967	638	505	69	38	5
1968	813	667	79	47	8

a Excluding ships' bunkers.

The draft Third Five Year Plan 1969–73, presented at the end of the year, provides for a 4½ per cent expansion of gross domestic product at constant prices, and is based on projected population growth of 1·6 per cent per annum. The plan aims at further economic diversification to eliminate structural unemployment and to change the location of economic decision-making from overseas to locally-controlled institutions.

The trade surplus which Trinidad achieved in 1967, for the first time since 1961, rose to over $TT50 million in the first eleven months of 1968. The largest increase in exports occurred in petroluem and petroleum products which maintained their share of over 80 per cent of the total value: this rise was attributable partly to increased production of indigeneous crude oil, but mostly to an expansion of refinery output combined with the effects of devaluation. The increase in chemical exports reflected greater production of manufactured fertilizers and ammonium compounds, in terms of value, although exports of tar oils decreased slightly. The rise in sugar exports also reflected increased production, from 198,000 tons in 1967 to 239,600 tons last season; larger quotas under the U.S. Sugar Act, at higher prices in terms of TT dollars, assisted this rise. Exports of cocoa beans increased due to recovery in quantities produced accompanied by higher export prices. Coffee production also grew substantially and the value of coffee exported ($TT5·4m.) doubled over the previous year. Shrimp exports amounted to over $TT1 million, resulting largely from increased volume.

TABLE 64

EXPORTS FROM TRINIDAD & TOBAGO

$TT million

	1964	1965	1966	1967	1968*a*
United Kingdom	152	113	102	97	105
Canada	37	31	30	34	42
Jamaica	8	4	3	3	6
Guyana	10	16	18	19	23
Barbados	7	7	8	8	9
Other Commonwealth	31	33	28	32	36
United States	204	232	272	326	392
France	13	20	2	1	—
Netherlands	48	35	46	29	17
Sweden	27	42	44	48	74
Brazil	4	4	5	5	13
Other countries	102	107	130	118	170
Total all countries.. ..	643	644	688	720	887
Of which:					
Commonwealth	245	204	189	193	221
E.E.C.	71	68	68	43	30
EFTA (Continental) ..	30	46	52	57*b*	91
Eastern Europe	—	—	—	—	—

a Annual rates based on the latest data.

b Includes Finland.

The schedule of exports by destination since 1964 shows fairly clear cut trends, the dominant one being the growing share taken by the United States as quotas on petroleum products (and sugar) were raised. The share taken by Canada has slipped in recent years but could find some support in any sales of sugar taking place above the new floor price of the International Sugar Agreement from the beginning of 1969. The Commonwealth tariff preference accorded by Canada makes this a natural market for Commonwealth Caribbean (and Australian) supplies not covered by the more advantageous terms under the Commonwealth Sugar Agreement and the U.S. quotas. The declining trend of exports to the E.E.C., both proportional and absolute, continued in 1968 with lower sales of diesolene to the Netherlands, while increased shipments of diesolene and ammonium compounds to Sweden and Denmark contributed to continuation of the opposite trend for continental EFTA.

Imports into Trinidad & Tobago

$TT million

	Total (c.i.f.)	*Food*	*Mineral fuels and lubricants*	*Machinery and transport equipment*	*Balance of Merchandise trade*
1964 ..	728	85	363	95	− 85
1965 ..	815	88	401	127	− 171
1966 ..	774	90	391	103	− 94
1967 ..	721	86	356	86	+ 11
Jan.–Nov.					
1967 ..	645	78	323	80	− 7
1968 ..	762	81	414	89	+ 51

The largest contributor to the growth in imports was the mineral fuels and lubricants group, reflecting increased imports of crude oil to match the expanding activity in the refineries. As already mentioned, the rise in imports of foodstuffs was attributable to higher prices resulting from devaluation, while the small increase in machinery and transport equipment reflected, to a large extent, the relative stagnation in capital formation in the private sector. A sharp drop in imports of motor cars (excluding buses), and an increase in the number of ckd vehicles imported for assembly, followed the opening of a second assembly plant during 1968.

TABLE 65

IMPORTS INTO TRINIDAD & TOBAGO

$TT million

	1964	1965	1966	1967	1968*a*
United Kingdom	130	135	126	105	123
Canada	34	42	43	38	34
New Zealand	10	9	11	9	10
Guyana	10	11	10	10	10
Other Commonwealth	22	24	22	22	22
United States	103	138	109	118	121
West Germany	8	8	8	9	9
Netherlands	12	9	8	8	8
Japan	8	9	10	12	12
Venezuela	169	209	237	284	371
Colombia	62	52	37	30	8
Saudi Arabia	132	134	104	4	23
Other countries	28	35	49	72	80
Total all countries.. ..	728	815	774	721	831
Of which:					
Commonwealth	206	221	212	184	199
E.E.C.	29	28	29	30	28
EFTA (Continental) ..	8	9	10	11*b*	11*b*
Eastern Europe	3	3	2	—	—

a Annual rates based on the latest data.

b Includes Finland.

Among the countries exporting to Trinidad & Tobago, Venezuela had the lion's share with shipments of crude oil for the refineries. Imports of crude from Colombia continued their downward trend almost to vanishing point, while those from Saudi Arabia amounted to no more than a small fraction of their level before the closure of the Suez Canal. There were larger imports of iron and steel products and ckd motor vehicles from Britain, and of foodstuffs, fabrics and machinery from the United States. Imported rice in bulk was the only commodity subject to state trading, supplies normally being taken from Guyana and Surinam under government contracts at agreed prices.

Following the completion of a meat processing plant in 1968, and in line with the policy of promoting local production to substitute for imports, Trinidad & Tobago raised import duties on a number of items to 35 per cent m.f.n., with a 10 per cent margin of preference to Commonwealth suppliers. The last-mentioned were expected to suffer more than U.S. businesses which do not have a large share of the market for the affected commodities—including cooked meat, meat extracts, fish products, some bakery and dairy products, and frozen fruit and vegetables.

During the course of 1968 the Government issued a series of orders and amendments to the Trinidad Customs Regulations to implement the provisions of the Caribbean Free Trade Association. A list was published of nearly eighty items which will be treated as being of CARIFTA origin, regardless of actual origin, when they are (a) used in Trinidadian manufacturing industries and (b) their value does not constitute more than 50 per cent of the export price of the finished goods. Items meeting such legal requirements may be imported duty free, and this should prove a boon to non-CARIFTA exporters of these products, placing them on an equal footing with CARIFTA members as well as other Commonwealth countries. This paralleled the action taken by Jamaica.

GUYANA

In spite of unfavourable weather conditions which adversely affected production of both sugar and rice, the country's two major export crops, gross domestic product expanded by 7 per cent in 1968—almost 3 per cent attributable to price increases largely resulting from devaluation of the Guyanan dollar. With population growth amounting to just under 3 per cent in recent years this represented a modest but significant advance in per capita incomes.

In contrast to substantial deficits recorded in the previous three years, a trade surplus of $G9 million occurred in 1968. This resulted from an increase of over 20 per cent in exports, largely contributed by a substantial rise in the recorded value of shipments of alumina and bauxite following the expansion of calcining capacity and increases in production and price. Imports, on the other hand, rose by only 2 per cent in terms of local currency while falling substantially in terms of U.S. and Canadian dollars. The surplus on visible trade, however, may be more than off-set in the overall balance of payments by a reduction in private capital inflows formerly associated, to a large extent, with the now completed calcined-bauxite expansion programme; private investment fell by 50 per cent in the first half of 1968.

During the year, further advances were made towards strengthening regional co-operation under CARIFTA. Progress was also made towards granting duty-free importation of raw materials for local manufactures and the 1969 budget foreshadowed duty-free concessions on raw materials for manufactures facing competition from CARIFTA manufactures enjoying similar benefits in their respective countries. To offset the loss of revenue from import duties the Government was to levy appropriate consumer taxes.

Exports from Guyana
$G million

	Total (*f.o.b.*)	Rice	Sugar	Alumina	Bauxite	Manganese ore
1964 ..	162	22	58	27	30	4
1965 ..	167	23	46	30	37	5
1966 ..	186	25	51	32	43	5
1967 ..	197	25	55	31	46	5
1968 ..	239	28	60	40*a*	60*a*	5*a*

a Estimated.

There was an increase in the scale of production of calcined and dried bauxite in 1968, although the production of alumina fell slightly compared with the previous year. Average export prices in terms of local currency rose during the year; for calcined bauxite the 1968 average of $G62·57/ton compared with $G54·85/ton in 1967, while for dried bauxite $G15·84/ton compared with $G15·29 in the earlier year. Over the same period the average price per ton for alumina rose from $G116·35 to $G135·37.

Despite a decrease of 8 per cent in sugar production, largely resulting from heavy rains causing the spring crop to yield cane of poor juice quality, exports of this commodity rose in value by approximately $G5 million in response to devaluation and a rise in sugar prices on the U.S. market. The sugar industry is expected to benefit in the future from the recently negotiated International Sugar Agreement and the maintenance of other arrangements such as the Commonwealth Sugar Agreement, the U.S. Quota Scheme and the Canadian preferences.

The value of export shipments of rice showed a small increase over the previous year with higher average export prices, but production fell considerably below the 1967 level—the 1968 Autumn crop being the lowest in recent years. It was reported that the industry was to undergo modernisation including establishment and maintenance of an appropriate research institution, provision

TABLE 66

EXPORTS FROM GUYANA

$G million

	1964	1965	1966	1967	1968
United Kingdom	33	41	41	48	47*a*
Canada	49	38	40	36	42*a*
Trinidad & Tobago	14	15	15	17	..
Other Commonwealth	10	12	15	15	..
United States	26	31	41	46	64*a*
Netherlands	2	3	5	2	..
Norway	8	8	11	10	..
Other countries	20	19	18	23	..
Total all countries.. ..	162	167	186	197	239
Of which:					
Commonwealth	106	106	111	116*b*	..
E.E.C.	7	8	10	6	..
EFTA (Continental) ..	12	9	12	14	..
Eastern Europe	—	—	..	..	..

a Estimated from data of trading partners.
b Sterling area plus Canada.

of adequate paddy drying and storage facilities, and development of milling units capable of producing high-quality white rice. At a Regional Rice Conference held at St. Vincent, some countries of the Commonwealth Caribbean agreed to purchase from Guyana better grades of rice at higher prices in 1969.

Other exports, such as rum, shrimps, gold, diamonds and manganese—which account for under a fifth of the total—also benefited by higher prices resulting from devaluation, but lower volumes of manganese and diamonds were exported. Gold production almost doubled in 1968, to 4,088 ounces, mainly as a result of Governmental assistance to small-scale miners.

With regard to the breakdown of exports by country of destination, U.K. data show a very slight fall in imports from Guyana in 1968, while Canadian data show practically no change (in Canadian dollars). Exports to the United States on the other hand, show a substantial rise in response to heavier shipments of calcined bauxite.

Imports into Guyana

$G million

	Total (c.i.f.)	*Food*	*Mineral fuels and lubricants*	*Machinery and transport equipment*	*Other manufactures*	*Balance of merchandise trade*
1964	149	29	14	38	59	+12
1965	179	31	16	47	73	−12
1966	202	33	16	60	80	−16
1967	225	34	18	77	82	−28
1968	229	..	..	..	..	+ 9

TABLE 67

IMPORTS INTO GUYANA

$G million

	1964	1965	1966	1967	1968
United Kingdom	50	55	66	58	64*a*
Canada	13	14	18	25	22*a*
Trinidad & Tobago	16	20	21	22	..
Hong Kong	2	3	2	*b*	..
Other Commonwealth	7	10	10	13	..
United States	34	44	46	62	62*a*
Netherlands	7	8	7	8	..
West Germany	5	5	6	13	..
Japan	3	5	7	8	..
Other countries	12	15	19	16	..
Total all countries.. ..	149	179	202	225	229
Of which:					
Commonwealth	88	102	117	118*c*	..
E.E.C.	15	17	21	28	..
EFTA (Continental).. ..	3	3	4	4	..
Eastern Europe	3	4	3	1	..

a Estimated from data of trading partners.

b Included, if any, in "Other Commonwealth".

c Sterling area plus Canada.

Total imports into Guyana in 1968 were only $G4 million higher than in the preceding year, in the early part of which there had been exceptionally heavy clearances of capital goods for the bauxite calcining expansion programme. Little further analysis was possible from data available early in 1969 but, as would be expected in view of completion of this industrial development, the statistics of external trade published by partner countries point to a decline in the share of imports taken from the United States and Canada in 1968. Apparent imports from the United Kingdom rose substantially, to regain most of the drop, in absolute terms, sustained in the previous year.

BARBADOS

Production of sugar in 1967 reached just over 200,000 tons, the second highest total ever achieved, contributing $EC35·1 million to gross domestic product at factor cost—a rise of nearly 10 per cent over the 1966 contribution. The tourist industry had a year of unprecedented expansion, with estimated receipts from tourist expenditure at $EC34·8 million, a rise of 19 per cent compared with 1966.

Exports from Barbados

$EC million

	Total f.o.b.	*of which: Domestic*	*Re-exports*	*Rum*	*Sugar*	*Molasses*	*Machinery and transport equipment*	*Textiles*
1964 ..	49·8	45·0	4·8	2·2	30·9	5·1	1·1	1·3
1965 ..	53·3	47·4	5·9	2·7	33·1	3·9	1·6	1·5
1966 ..	57·0	49·3	7·7	3·3	33·8	3·3	1·5	1·5
1967 ..	61·5	54·1	7·4	2·9	37·3	3·8	2·0	..

TABLE 68

EXPORTS FROM BARBADOS

$EC million

	1964	1965	1966	1967
United Kingdom	26·4	27·0	31·6	30·9
Canada	6·0	4·9	4·2	4·8
Trinidad	1·0	1·7	2·1	1·9
St. Lucia	1·9	1·6	2·1	1·8
Other Commonwealth Caribbean	6·4	6·6	7·9	7·3
United States	5·0	6·8	5·7	10·9
Irish Republic	2·3	3·6	1·5	..
Other countries	0·7	1·0	1·9	3·9
Total all countries	49·8	53·3	57·0	61·5
Of which:				
Commonwealth	41·8	41·9	48·3	46·8
E.E.C.	0·1	0·2	0·1	0·9*a*
EFTA (Continental)	—	—	—	—
Eastern Europe	—	—	—	—

a Including possessions.

Despite these sharp growth areas in the economy in 1967, there was a reduction in the rate of advance of total visible trade. As usual, sugar and its by-products accounted for a very large proportion, about 80 per cent, of domestic exports. Britain continued to be the main trading partner, accounting for some 34 per cent of total trade, and as much as a half of the export total—mainly consisting of sugar under the Commonwealth Sugar Agreement.

Production of sugar in 1968 was down to about 160,000 tons, a fifth lower than the exceptional level of the previous year. While this does not mean that the more lucrative sales to quota markets were proportionately lower even in terms of volume, shipments to the free market, including Canada, must suffer from any drop in production. Indeed, Canadian data show total imports from Barbados falling from $3·1 million in 1967 to $1·5 million in the following year—a steep decline even in terms of East Caribbean currency. On the same basis of comparison sales to Britain rose by about a sixth, while a slight fall in U.S. dollar sales suggested that, in terms of East Caribbean dollars, exports from Barbados to the U.S.A. in 1968 just about held on to the sharp gain of the previous year.

Imports into Barbados

$EC million

	Total (c.i.f.)	*Food*	*Mineral fuels and lubricants*	*Machinery and transport equipment*	*Other manufactures*	*Balance of merchandise trade*
1964 ..	108·5	29·0	11·3	18·1	37·3	−62·7
1965 ..	116·3	31·9	11·8	18·9	39·5	−52·4
1966 ..	130·7	34·1	13·1	22·3	46·0	−73·7
1967 ..	134·3	32·4	11·6	25·6	51·3	−72·8

TABLE 69

IMPORTS INTO BARBADOS

$EC million

	1964	1965	1966	1967
United Kingdom	32·5	34·3	39·4	36·7
Canada	12·9	14·1	15·4	16·7
Australia	2·0	2·7	1·6	1·7
New Zealand	2·5	3·3	2·9	3·4
Trinidad & Tobago	6·7	6·4	7·3	7·3
Guyana	2·9	2·8	2·8	3·0
Other Commonwealth Caribbean	2·8	2·6	3·0	3·0
United States	17·5	18·4	23·9	26·2
West Germany	2·4	2·7	3·0	3·0
Netherlands..	4·2	3·4	3·1	4·3*a*
Argentina	1·6	2·0	2·6	1·7
Venezuela	7·5	8·4	9·4	8·5
Japan	1·7	2·2	2·1	2·9
Other countries	9·1	11·1	14·2	15·9
Total all countries	108·5	116·3	130·7	134·3
Of which:				
Commonwealth	64·5	68·1	74·8	76·2
E.E.C.	9·9	9·0	9·9	12·5*a*
EFTA (Continental)	2·1	2·6	3·0	3·3*a*
Eastern Europe	0·8	0·5	0·6	0·6

a Including possessions.

In 1967 the United Kingdom share of imports into Barbados fell slightly, by about three percentage points, from 30 per cent in 1966. By contrast, the United States and Canadian shares of the import market continued their unbroken, strong advance, the former country supplying a fifth of the total in 1967, while Canada contributed an eighth. Available data for the first quarter of 1968 show the total value of imports from all sources at $EC39·1 million, compared with $EC33·0 million in the corresponding period of the previous year, reflecting the accounting effects of devaluation. For the year as a whole imports from Britain rose to £7·4 million from £7·1 million in 1967 (U.K. data). Purchases from North America increased at a more rapid rate than this, however, judging by the data of trading partners.

Appendix

Table	
I	Total trade of Commonwealth countries
II and III	Intra-Commonwealth trade: Exports
IV and V	Intra-Commonwealth trade: Imports
VI and VII	Trade of Commonwealth countries with the United Kingdom: Exports
VIII and IX	Trade of Commonwealth countries with the United Kingdom: Imports
X	United Kingdom imports by major commodity classes
XI	Proportion of United Kingdom imports supplied by Commonwealth countries
XII	United States imports from the Commonwealth

Notes on Statistics

TABLE I

TOTAL TRADE OF COMMONWEALTH COUNTRIES

£ million

	1964	1965	1966	1967	1968*a*
Exports and re-exports from:					
United Kingdom	4,565	4,901	5,241	5,214	6,394
Canada	2,743	2,895	3,411	3,770	5,232
Australia	1,064	1,037	1,089	1,175	1,400
New Zealand	386	363	387	359	419
India	608	599	562	545	728
Pakistan	152	189	215	208	337
Ceylon	139	144	126	123	132
Malaysia	392	437	444	431	541
Singapore	303	326	367	403	524
Hong Kong	361	408	473	549	727
Ghana	104	103	86	91	127
Nigeria	211	268	284	242	246
Zambia	168	190	247	235	353
Malawi	12	14	17	20	20
Kenya	77	78	87	79	100
Uganda	76	74	77	78	96
Tanzania	75*c*	69*c*	88*c*	83*c*	97
Jamaica	78	77	81	81	87
Trinidad & Tobago	134	134	143	150	185
Others	367	407	360	375	457
Total Commonwealth exports	12,015	12,713	13,785	14,211	18,202
Imports into:					
United Kingdom	5,696	5,751	5,947	6,434	7,899
Canada	2,458	2,852	3,259	3,661	4,758
Australia	1,022	1,153	1,107	1,198	1,564
New Zealand	317	354	362	321	347
India	1,005	1,026	930	983	1,016
Pakistan	356	373	321	393	429
Ceylon	148	110	152	130	156
Malaysia	375	392	393	386	478
Singapore	401	438	468	504	695
Hong Kong	534	560	631	653	857
Ghana	121	159	126	109	127
Nigeria	253	275	256	224	225
Zambia	77	105	123	183	181
Malawi	14	20	27	26	30
Kenya *b*	88	101	123	119	149
Uganda *b*	46	58	59	57	68
Tanzania *b*	60*c*	67*c*	80*c*	79*c*	109
Jamaica	100	103	117	126	148
Trinidad & Tobago	152	170	161	150	173
Others	482	518	498	568	699
Total Commonwealth imports	13,705	14,585	15,140	16,304	20,108

a Actuals, or annual rates based on latest data.

b Net imports. See Notes on Statistics.

c Tanganyika only.

TABLE II

INTRA-COMMONWEALTH TRADE

Exports to other Commonwealth countries

£ million

	1964	1965	1966	1967	1968*a*
United Kingdom	1,249	1,335	1,297	1,219	1,390
Canada	537	529	528	574	675
Australia	395	371	385	399	472
New Zealand	222	212	258	204	215
India	205	192	137	166	185
Pakistan	53	62	65	61	80
Ceylon	64	62	50	55	58
Malaysia	162	176	176	162	193
Singapore	197	203	201	198	238
Hong Kong	141	137	145	163	210
Ghana	21	20	12	25	34
Nigeria	88	107	120	83	78
Zambia	66	80	86	70	104
Malawi	9	10	11	15	14
Kenya	46	49	51	51	62
Uganda	28	30	32	38	44
Tanzania	41*b*	39*b*	49*b*	50*b*	56
Jamaica	42	37	39	37	35
Trinidad & Tobago	51	42	39	40	46
Others	254	265	219	216	241
Total	3,871	3,958	3,900	3,826	4,430

a Actuals, or annual rates based on the latest data.
b Tanganyika only.

TABLE III

INTRA-COMMONWEALTH TRADE

Exports to other Commonwealth countries as percentage of each country's total exports

	1964	1965	1966	1967	1968
United Kingdom	28	28	25	23	22
Canada	20	18	15	15	13
Australia	37	38	36	34	34
New Zealand	57	58	56	57	51
India	35	33	30	30	25
Pakistan	36	33	30	29	24
Ceylon	46	44	41	45	44
Malaysia	41	40	41	37	36
Singapore	66	63	51	49	45
Hong Kong	39	34	31	30	29
Ghana	20	20	23	27	27
Nigeria	42	40	40	34	32
Zambia	39	42	35	30	30
Malawi	75	71	65	72	70
Kenya	61	64	58	64	62
Uganda	38	41	41	48	46
Tanzania	54*a*	58*a*	60*a*	61*a*	58
Jamaica	54	48	47	45	40
Trinidad & Tobago	38	32	28	27	25
Others	68	65	59	67	68
Total	31	32	28	28	24

a Tanganyika only.

TABLE IV

INTRA-COMMONWEALTH TRADE

Imports from other Commonwealth countries

£ million

	1964	1965	1966	1967	1968*a*
United Kingdom	1,706	1,673	1,590	1,574	1,792
Canada	311	315	338	351	420
Australia	402	441	401	428	559
New Zealand	220	240	244	209	220
India	199	191	162	189	163
Pakistan	75	80	73	88	142
Ceylon	54	44	55	46	54
Malaysia	180	195	197	174	211
Singapore	206	221	229	220	275
Hong Kong	120	117	122	128	165
Ghana	44	49	42	40	50
Nigeria	94	100	93	78	78
Zambia	47	62	58	63	76
Malawi	10	15	17	9	17
Kenya	41	44	59	58	70
Uganda	28	37	37	33	40
Tanzania	35*b*	39*b*	44*b*	40*b*	53
Jamaica	45	45	47	48	54
Trinidad & Tobago	43	46	44	38	41
Others	243	256	231	245	278
Total	4,103	4,210	4,083	4,059	4,758

a Actuals, or annual rates based on the latest data.
b Tanganyika only.

TABLE V

INTRA-COMMONWEALTH TRADE

Imports from other Commonwealth countries as percentage of each country's total imports

	1964	1965	1966	1967	1968
United Kingdom	30	29	27	24	23
Canada	13	11	10	10	9
Australia	39	38	36	36	36
New Zealand	69	68	67	65	63
India	20	19	17	19	16
Pakistan	21	21	22	22	33
Ceylon	37	40	37	35	35
Malaysia	48	50	50	45	44
Singapore	51	51	53	44	46
Hong Kong	22	21	19	20	19
Ghana	36	31	29	36	39
Nigeria	37	36	34	38	37
Zambia	61	59	47	34	42
Malawi	71	73	81	66	57
Kenya	47	44	43	48	47
Uganda	61	65	64	59	59
Tanzania	58*a*	59*a*	55*a*	50*a*	48
Jamaica	45	43	40	38	37
Trinidad & Tobago	28	27	28	26	24
Others	44	44	46	46	50
Total	30	29	27	25	24

a Tanganyika only.

TABLE VI

TRADE WITH UNITED KINGDOM

Exports of other Commonwealth countries to the United Kingdom

£ million

	1964	1965	1966	1967	1968*a*
Canada	399	392	374	389	473
Australia..	214	184	172	156	200
New Zealand	188	175	218	161	153
India	126	110	94	107	118
Pakistan	20	25	25	27	40
Ceylon	40	38	31	36	36
Malaysia	35	32	31	27	37
Singapore	16	16	15	23	33
Hong Kong	64	57	64	74	97
Ghana	16	14	14	19	25
Nigeria	80	101	109	72	68
Zambia	54	72	80	64	97
Malawi	5	7	8	11	11
Others	221	212	196	200	226
Total	1,478	1,435	1,431	1,366	1,614

a Actuals, or annual rates based on the latest data.

TABLE VII

TRADE WITH UNITED KINGDOM

Proportion of each country's total exports sent to United Kingdom

per cent

	1964	1965	1966	1967	1968
Canada	15	14	11	10	9
Australia..	20	18	16	13	14
New Zealand	49	48	42	45	37
India	21	18	17	20	16
Pakistan	13	13	12	13	12
Ceylon	29	26	25	29	27
Malaysia	9	7	7	6	7
Singapore	5	5	4	6	6
Ghana	15	13	17	21	20
Nigeria	38	38	38	30	27
Zambia	32	38	32	27	27
Malawi	42	50	49	52	55
Hong Kong	18	14	14	13	13
Others	28	26	23	24	22
Total	19	18	17	15	14

Table VIII

TRADE WITH UNITED KINGDOM

Imports of other Commonwealth countries from the United Kingdom

£ million

	1964	1965	1966	1967	1968a
Canada	189	205	213	222	267
Australia..	271	301	276	269	348
New Zealand	120	130	134	104	112
India	121	118	80	76	68
Pakistan	48	55	48	51	53
Ceylon	24	20	25	20	22
Malaysia	70	77	74	57	69
Singapore	39	46	45	39	57
Ghana	33	40	36	33	40
Nigeria	78	85	76	65	64
Zambia	13	21	27	31	40
Malawi	3	5	8	7	8
Hong Kong	52	60	63	61	74
Others	234	256	244	232	285
Total	1,295	1,419	1,349	1,267	1,507

a Actuals, or annual rates based on the latest data.

Table IX

TRADE WITH UNITED KINGDOM

Proportion of each country's total imports supplied by United Kingdom

per cent

	1964	1965	1966	1967	1968
Canada	8	7	7	6	6
Australia..	26	26	25	22	22
New Zealand	38	37	37	32	32
India	12	11	9	8	7
Pakistan	13	15	15	13	12
Ceylon	16	18	16	16	14
Malaysia	19	20	19	15	14
Singapore	10	10	10	8	8
Ghana	27	25	29	30	31
Nigeria	31	31	30	29	28
Zambia	17	20	22	17	22
Malawi	21	25	33	28	27
Hong Kong	10	11	10	9	9
Others	23	22	23	21	21
Total	16	16	15	13	12

TABLE X

UNITED KINGDOM IMPORTS BY MAJOR COMMODITY CLASSES

£ million

	1964	1965	1966	1967	1968
Food, beverages and tobacco	1,771	1,708	1,712	1,762	1,904
of which:					
Meat	368	368	374	372	399
Dairy products	215	208	195	208	200
Grain	219	232	222	222	232
Fruit and vegetables ..	283	288	313	325	349
Sugar	144	103	106	103	105
Coffee, cocoa, tea, spices ..	169	156	160	171	192
Tobacco	91	84	85	89	117
Basic materials	1,119	1,109	1,061	1,012	1,210
of which:					
Hides and skins	57	56	67	51	63
Oilseeds, oilnuts and kernels	48	49	45	37	41
Rubber	50	47	46	44	48
Wood	218	220	194	192	231
Pulp and waste paper ..	137	139	134	126	156
Wool	161	131	124	112	114
Cotton	65	54	54	43	58
Metal ores and scrap ..	185	202	189	203	268
Animal and vegetable oils and fats	54	64	63	63	68
Fuels and lubricants	584	609	625	729	905
Manufactured goods	2,161	2,253	2,471	2,844	3,773
of which:					
Chemicals	252	283	294	329	416
Wood manufactures ..	66	70	66	81	96
Paper and manufactures ..	132	123	133	155	185
Textiles	177	152	159	182	231
Iron and steel	106	78	88	120	155
Non-ferrous metals	328	367	421	380	568
Machinery	454	497	580	696	869
Transport equipment ..	90	109	101	172	320
Total value of imports ..	5,696	5,751	5,947	6,434	7,899

TABLE XI

PROPORTION OF UNITED KINGDOM IMPORTS SUPPLIED BY COMMONWEALTH COUNTRIES

per cent

	1964	1965	1966	1967	1968
Food, beverages and tobacco	42	43	39	38	37
Meat	33	36	31	25	29
Dairy products	56	55	51	49	50
Grain	45	41	36	32	30
Fruit and vegetables ..	27	28	26	26	26
Sugar	70	88	85	84	86
Coffee, cocoa, tea, spices ..	79	79	78	80	74
Tobacco	47	52	33	38	34
Basic materials	37	35	34	33	32
Hides and skins	21	20	18	15	17
Oilseeds, oilnuts and kernels	72	73	68	61	59
Rubber	70	67	63	62	64
Wood	28	30	26	27	22
Pulp and waste paper ..	11	11	11	11	11
Wool	64	57	54	55	51
Cotton	7	5	9	8	8
Metal ores and scrap ..	35	34	32	34	36
Animal and vegetable oils and fats	53	49	55	48	55
Fuels and lubricants	9	11	9	6	3
Manufactured goods	22	21	20	18	18
Chemicals	10	10	10	11	9
Wood manufactures ..	21	20	22	23	23
Paper and manufactures ..	27	25	24	23	23
Textiles	31	32	31	29	29
Iron and steel	12	8	9	8	8
Non-ferrous metals	56	54	48	51	51
Machinery	6	5	5	5	4
Transport equipment ..	6	3	5	2	2
Total	30	29	27	24	23

Table XII

UNITED STATES IMPORTS FROM THE COMMONWEALTH [a]

$U.S. million

	1964	1965	1966	1967	1968[b]
Meat and meat products ..	220	205	290	305	364
from Australia	132	113	178	191	215
from New Zealand	54	38	61	73	98
Fish and fish products	159	197	218	209	266
from Canada	122	139	146	135	169
Cocoa or cocoa beans	79	75	52	68	85
from Ghana	60	43	26	40	56
from Nigeria	15	27	22	23	23
Whisky	257	294	322	360	367
from United Kingdom ..	159	185	201	230	235
Rubber, crude and latex ..	83	76	86	99	111
from Malaysia [c]	70	66	56	67	72
Wood, unmanufactured ..	365	374	395	388	547
from Canada	352	361	379	375	531
Wood pulp	347	369	392	366	401
from Canada	347	369	392	366	401
Wool, unmanufactured ..	113	152	153	104	112
from Australia	46	73	74	57	53
from New Zealand	51	45	50	27	34
Iron and steel making raw materials	275	297	320	316	351
from Canada	275	296	305	310	345
Chemical and related products	262	306	355	404	470
from Canada	192	221	253	270	294
Newsprint paper	724	762	859	832	818
from Canada	724	762	859	832	818
Cotton manufactures [d]	83	121	127	124	150
from Hong Kong [d]	58	74	79	83	104
Wool manufactures [d]	82	89	84	87	100
from United Kingdom [d] ..	58	47	40	38	41
Jute and manufactures	162	182	200	183	192
from India	141	157	161	149	153
Steel mill products	166	183	207	204	360
from Canada	106	91	104	102	201
Non-ferrous metals, including ores and manufactures					
Copper	84	80	167	222	326
from Canada	66	61	116	174	220
Nickel	137	168	187	214	240
from Canada	134	166	183	209	235
Aluminium	200	258	283	290	370
from Canada	113	146	168	172	234
from Jamaica	83	94	97	101	93
Tin	89	136	104	106	138
from Malaysia [c] ..	78	124	95	101	131
Agricultural machinery and implements	150	181	226	243	218
from Canada	145	163	205	221	197
Electrical machinery and apparatus	119	164	267	311	386
from United Kingdom ..	35	40	64	71	81
Other machinery	243	348	556	622	760
from United Kingdom ..	109	166	239	243	268
New automobiles	117	150	485	921	1,369
from United Kingdom ..	99	90	115	103	125
from Canada	18	60	370	818	1,244
Total imports of all commodities					
from the Commonwealth ..	7,102	7,940	10,065	10,859	13,142
from all countries	18,318	20,844	24,786	25,992	32,170

a Imports for domestic consumption.
b Estimated.
c Includes Singapore.
d Including made-up articles and clothing.

NOTES ON STATISTICS

General

1. *Symbols used in tables*

   .. not available

   — nil or negligible

2. *Sources of Statistics*

Official national publications or direct from governments, except in the case of the table on world trade by major areas which is based mainly on data published in International Financial Statistics by the International Monetary Fund.

3. *Definition of area headings*

Commonwealth. Self-governing members of the Commonwealth and associated and dependent territories, as at December 1968. External trade of the constituent parts is defined by the political boundaries; as far as possible the trade of Malaysia is shown net of intra-Malaysian trade, trade of the East African Customs Area is grossed up to give the trade of Kenya, Uganda and Tanzania separately.

European Economic Community: Belgium, Netherlands, Luxembourg France, West Germany, Italy. Associated overseas territories and associate members are not included.

European Free Trade Association: Continental members Austria, Denmark, Norway, Portugal, Sweden and Switzerland. Dependencies and Finland, which is an associate member, are not included. This group is described as EFTA (Continental) in the tables.

Eastern Europe: Soviet Union, Albania, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Rumania.

4. *Definitions of commodity headings*

The standard groups generally used in the tables of commodity imports into countries cover the following items as defined under the Standard International Trade Classification (Revised): Food (S.I.T.C. 0); Beverages and tobacco (S.I.T.C. 1); Basic materials and base metals (S.I.T.C. 2, 4, 67 and 68); Mineral fuels and lubricants (S.I.T.C. 3); Machinery and transport equipment (S.I.T.C. 7); Other manufactures (S.I.T.C. 5, 8, and 6, less 67 and 68).

5. *Period of trade*

Calendar years unless otherwise stated. Statistics for certain countries have been adjusted as necessary from financial to calendar years where the figures are included in Commonwealth totals for calendar years. All 1968 data are provisional.

6. *System of trade*

Exports usually refer to total exports, which are domestic exports plus re-exports. Direct transit trade, consisting of goods entering the national territory for the purpose of passing to some other country, is usually excluded from the figures of both exports and imports. Imports and exports are normally recorded at the point at which goods enter into or pass beyond the control of the national government. These are known as "General Trade" statistics.

7. *Valuation of trade*

Unless otherwise stated in the Country Notes below, exports are valued f.o.b. and imports c.i.f.

8. *Coverage of trade*

Figures are for merchandise trade only, including trade on government account and postal trade. Gold, in the form of coin, bullion, unworked gold ores and partly worked gold, is excluded and, wherever practicable, settlers' effects, tourist purchases, ships' and aircraft stores and bunkers are also excluded. Exports of gold from Australia and Ghana are shown separately in the respective country sections but are excluded from export totals. Most countries exclude, from their export and import statistics, stores and equipment for armed forces and goods for diplomatic missions.

9. *Terms of trade*

The export price index as a percentage of the import price index.

10. *Rates of exchange*

The data given below show exchange rates in national currency units per one pound sterling, before and after devaluation of the latter on 18th November 1967.

	Before devaluation	*After devaluation*
Canada	£1 = \$C3·0270	£1 = \$C2·5946
Australia, Papua-New Guinea, British Solomon Island, Nauru	£1 = \$A2·5	£1 = \$A2·1429
New Zealand *a*	£1 = NZ2·0137	£1 = \$NZ2·1429
India	£1 = Rs21·0	£1 = Rs18·0
Pakistan	£1 = Rs13·3333	£1 = Rs11·1885
Ceylon	£1 = Rs13·3333	£1 = Rs14·2857
Malaysia *b*	£1 = \$M8·5714	£1 = \$M7·3469
Singapore *b*	£1 = \$S8·5714	£1 = \$S7·3469
Hong Kong *c*	£1 = \$HK16·0	£1 = \$HK14·5455
Ghana *d*	£1 = New Ce2·8571	£1 = New Ce2·4490
Nigeria	£1 = £N1	£1 = £N0·8571
Sierra Leone	£1 = Le2	£1 = Le2
The Gambia	£1 = £G1	£1 = £G1
Zambia *e*	£1 = £Z1	£1 = £Z0·8571
Malawi	£1 = £M1	£1 = £M1
Kenya	£1 = 20 shg. K	£1 = 17·1429 shg. K
Uganda	£1 = 20 shg. U	£1 = 17·1429 shg. U
Tanzania	£1 = 20 shg. T	£1 = 17·1429 shg. T
Botswana	£1 = R2	£1 = R1·7143
Lesotho	£1 = R2	£1 = R1·7143
Swaziland	£1 = R2	£1 = R1·7143
Mauritius	£1 = Rs13·3333	£1 = Rs13·3333
Cyprus	£1 = £C1	£1 = £C1

	Before devaluation	After devaluation
Malta	£1 = £M1	£1 = £M1
Jamaica	£1 = £J1	£1 = £J1
Trinidad & Tobago ..	£1 = \$TT4·8	£1 = \$TT4·8
Guyana	£1 = \$G4·8	£1 = \$G4·8
Barbados	£1 = \$EC4·8	£1 = \$EC4·8
British Honduras ..	£1 = \$BH4·0	£1 = \$BH4·0
Bahamas	£1 = \$B2·8571	£1 = \$B2·4490
Leeward Is. and Windward Is. ..	£1 = \$EC4·8	£1 = \$EC4·8
Brunei *b*	£1 = \$B8·5714	£1 = \$B7·3469
Fiji *f*	£1 = £F1·11	£1 = £F1·045
Seychelles	£1 = 1Rs13·3333	£1 = Rs13·3333

a The New Zealand dollar was introduced in July 1967 at the rate of \$NZ2 = £NZ1 (£1 = £NZ1·0069).

b The Malaysia, Singapore and Brunei dollars replaced the former Malayan dollar in June 1967 without a change in par value.

c Devalued to the same extent as sterling on 18th November but revalued to £1 = \$HK14·5455 on 22nd November.

d In February 1967 the New Cedi replaced the Cedi at rate of 1·2 old Cedis per New Cedi; in July 1967 the New Cedi was devalued from a rate of £1 = New Ce2·0 to a rate of £1 = New Ce2·8571.

e A new currency unit, the Kwacha, was introduced in January 1968 at the rate of 2 Kwachas = £Z1.

f Devalued to the same extent as sterling on 18th November but revalued to £1 = £F1·045 on 26th November. A new currency unit, the Fijian dollar, was introduced in January 1969 at the rate of 2 dollars = £F1.

United Kingdom

Exports exclude:

(1) used clothing and household goods exported by charitable organisations;

(2) aircraft, other than newly constructed.

Imports exclude:

(1) certain atomic materials such as uranium ore and concentrates;

(2) aircraft, other than newly constructed.

Canada

Exports are normally valued f.o.b. point of consignment in Canada. This valuation approximates about 95 per cent of the normally accepted definition of f.o.b. value.

Imports are normally valued f.o.b. point of consignment to Canada and the statistical value of imports is usually the value as determined for customs duty purposes. This valuation is equivalent to just over 90 per cent of normal c.i.f. value.

Imports exclude:

(1) ships of British construction and registry for use in Canada;

(2) ships purchased for use in foreign trade.

Australia

Exports are recorded at transaction value f.o.b. with a theoretical value for goods shipped on consignment.

Imports are recorded at transaction value f.o.b. or domestic value f.o.b. whichever is the higher. "Domestic value" is the value of similar goods on sale for cash for domestic consumption in the country of export.

Exports exclude uranium and certain materials for inter-governmental defence projects.

New Zealand

Exports f.o.b.; detailed import statistics are valued at the current domestic value in the country of export (c.d.v.) which is the basis of most of the New Zealand import statistics in this publication.

Exports exclude:

(1) goods shipped overseas by relief organisations;

(2) ships on their own bottoms.

Pakistan

Exports and imports exclude:

(1) silver coin and bullion;

(2) letter and parcel post.

Ghana

Exports and imports exclude ships and aircraft purchased or sold abroad and not manifested as cargo.

Kenya, Uganda, Tanzania

Direct imports are goods imported from outside the East African Customs Area and entered for consumption or warehousing in either the country of actual import or in either or both of the other two countries, together with imports of the local produce of the other two countries.

Net imports are direct imports, as defined above, to which have been added or from which have been deducted imports from outside East Africa subsequently transferred interterritorially. The valuation of these adjustments is c.i.f. point of entry to the East African Customs Area. Both direct and net imports include goods entered for consumption or warehousing which are subsequently re-exported outside the East African Customs Area.

Domestic exports as shown in this report include domestic exports to the other two East African countries as well as outside East Africa.

Exports include re-exports of non-East African goods to points outside East Africa, but exclude trade in non-East African goods between East African countries. This trade is mainly in goods destined for Uganda and northern parts of Tanganyika shipped via Mombasa. It is measured by the difference in value between direct and net imports of Kenya.

Exports by parcel post are excluded but imports under this heading are included.

Zambia and Malawi

Exports and re-exports are valued f.o.r. place of despatch.

Imports are valued f.o.b. or f.o.r. place of despatch.

Rhodesia

The United Nations mandatory sanctions on trade with Rhodesia were put on a comprehensive basis by Security Council Resolution 253 of May, 1968.

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