Trade Cooperation Within the ECAFE Region

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The idea of regional economic cooperation has gained strong support during the post-War period. The geographical proximity of different countries in the same region has often led to similar resource bases, common historical experience, and similar cultural and social evolutions. They have more common problems among themselves than with outsiders and a more common outlook, and, therefore, have greater scope for fruitful interchange of views and experiments, and a larger field of productive cooperation and collaboration. If individually many of them feel small and helpless, they can seek solace and support among themselves. The United Nations has recognized the role of regional cooperation by setting up various regional bodies—Economic Commissions, as they are called—and these bodies have done valuable work in bringing out the special features and problems of the regions with which they are concerned. The regional commissions have conducted regional studies, organized seminars and discussions on important problems of the region, and fostered regional understanding and cooperation. Now they are turning to a very important and controversial sphere, *viz.*, the sphere of trade cooperation for the region or its important parts. The trade cooperation contemplated has a distinct preferential and discriminatory ring. This has given rise to some competition and anxiety, and led to plans for defensive action in other regions, and sometimes even within the region itself. The leadership has come from the most developed region, *viz.*, Europe where the habit of regional cooperation was developed earlier for post-War rehabilitation, and had taken many organizational forms like the Organization for European Economic Cooperation (OEEC), the European Payments Union (EPU), the European Coal and Steel Community (ECSC), *etc.*, and where common defence and political problems are a powerful cementing force. Two strong trading bloc arrangements have sprung up in Europe, *viz.*, the European Common Market for six countries—France, Italy, Western Germany and the Benelux Union, *i.e.*, the three countries of Belgium, the Netherlands and Luxemberg,[1]

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[1] In addition, the associated countries and territories overseas, and Algeria and the French overseas departments are planned to be included in the arrangement.

and the European Free Trade Area (EFTA) or the "Outer" seven countries, *viz*, the United Kingdom, Norway, Sweden, Denmark, Switzerland, Austria and Portugal. The United Kingdom has expressed its intention of entering the European Common Market and some other members of EFTA are likely to follow suit. It is, therefore, likely that a trade arrangement covering most of Europe may soon emerge. A common market for Latin America is on the anvil. It is natural that at this time the idea of a common market for Asia and other forms of regional trade cooperation should get serious consideration. In this paper, we propose to discuss the requisite conditions for deriving valuable benefits from the more important forms of regional trade cooperation, and indicate their suitability in the context of the ECAFE region.

REGIONAL VS. WORLD COOPERATION

There are two wellknown aspects of regional trade cooperation which need reiteration. The prevalent forms of regional trade cooperation are formally discriminatory. They treat through one device or another goods from the region or parts of it more favourably than goods from outside. Whether, in reality, these arrangements place non-members in a worse position than before, are more in restraint of world trade, and represent a greater departure from the law of comparative costs than the preservation of the earlier *status quo*, are more difficult questions to answer, and unfortunately questions to which unanimous answers are unlikely. The additional trade within the region may not necessarily be at the cost of non-members. It may be net additional trade, trade-creation because of regional trade liberalization, a replacement of highcost production within the member countries by lowcost production outside national borders but within the region. On the other hand, because of the very fact that trade from the neighbouring countries is treated more favourably compared to the rest of the world, trade with the latter may be diverted to the former, a reverse and wasteful replacement. This will be the trade-diversion effect of trade agreements. To ensure that the trade-creation aspects may predominate over the trade-diversion aspects, various safeguards have been suggested. For example, an allround lowering of regional trade barriers or their total abolition as in a customs union will ensure that the trade-creation aspects are maximized, and that the real income of the region will increase. If it is possible for the member countries to pick and choose as to which commodities from the region they will import free or at low preferential duties, it is likely that under various sorts of pressures they will only select those commodities where there will be the least disturbance to their economies, *i.e.*, the trade-creation effects will be minimized and trade-diversion maximized. To be justifiable from the viewpoint of the rest of the world, the trade-creation effects must so stimulate the incomes of the into one whole, and till that happens, free intercourse and trade may do more harm than good.[4] It needs to be explained why under the same conditions regional free intercourse will work, or how regional integration will be easier and quicker than world integration.

CASE FOR TRADE RESTRICTIONS

Apart from the pressure of vested groups or misconceived national interests, or from short-term considerations, world trade has been hedged with a number of restrictions, primarily because for a number of reasons, it has not worked the way it was expected to, nor acted as a powerful engine of growth, nor led to the optimum division of international labour. For one thing, if we exclude petroleum whose supply is geographically concentrated and whose production has some very particular characteristics, the demand for and trade in primary commodities, since 1928, has grown at a much less rapid rate than the growth of world trade. Even trade in non-primary products has grown at a less rapid rate than incomes. This has meant a severe limiting factor to growth of the underdeveloped countries that only or mainly produce primary products.[5] Further, industrialized countries find it very difficult to specialize in new lines of simple manufacturing in which they can obtain expanding markets in developed countries.[6] The result is that their developmental import requirements cannot be satisfied by their export earnings and capital imports. They are compelled to reduce their growth rate to bring it in line with their likely availability of foreign exchange or to resort to trade and exchange restrictions.[7]

In order that the advantages of free trade should be properly realized, it is essential that factor movements should take place in the desired direction, *i.e.*, that capital should move from the more prosperous to the less prosperous region and labour from the country of low wages to that of high wages. While free commodity movements have been broadly accepted

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4. For instance, *see* G. Myrdal, *An International Economy*, (New York: Harper and Brothers, 1956), chap. I.

5. For a succinct account of the contrast between the 19th and 20th centuries, in this regard, *see*, R. Nurkse, *Patterns of Trade and Development*, (Stockholm: Almqvist and Wicksell, 1959), pp. 13—30.

6. *See*, United Nations, *Economic Survey of Europe in 1960*, (New York: United Nations, 1961), chap. V, pp. 2-9 and 19-50; for an account regarding how the non-industrial areas have fared differently according to their specialization, stage of development and trade arrangements, *see*, GATT, *Trends in International Trade—A Report*, (Geneva: United National, 1958), pp. 24-26.

7. The difficulties of the developed countries are really more accidental and exceptional, but due to a strange constellation of circumstances, world economic disintegration has somehow persisted for a quarter of a century since the Depression. In the last decade, their economies are again being integrated in a world economy, and their problems of disequilibrium are now shrinking to manageable proportions. It is not proposed to touch them here.

as an ideal over a fairly long period, free factor movements have prevailed over a much briefer space and time. Large-scale labour movements have seldom been allowed to go on uninterrupted, and restrictions on immigrants have been further increased in the twentieth century. In any case, due to language, cultural and social diversities and differences in labour laws, strong inducements are required for international movements of labour. Capital movements were known to be substantial on the eve of the First World War and before the Depression, but the lag in the expansion of world trade and especially that of non-industrialized countries had led to a slowing-down of real flows of foreign private capital to those parts. Capital-receiving countries have also sometimes tried unreasonably to restrict capital inflows. Since capital is a tender plant which can grow only on confidence, the turbulent events of the last few years have not been conducive to widespread purposive capital movements. Even when capital movements were physically and psychologically unhindered, the assumed economic results have not ensued. Capital has not found in underdeveloped areas especially attractive fields of investment except in limited areas and for limited purpose. The lack of sufficient basic economic and social overheads, the absence of a proper network of transport, power facilities, financial institutions, education, public health, training, *etc.*, has led to low capital productivity inspite of small amounts of invested capital in underdeveloped countries, and foreign private capital can aid in building up absorptive capacity only to a very limited extent. Underdeveloped countries have, therefore, found no way of securing their own economic development through free trade, and a relatively unprofitable static division of labour has been forced on them. Free trade instead of developing their economies has become a fetter to their growth and they have, therefore, sought development through breaking this shackle in various ways. It is not possible to say that by so doing they have found an easy road to economic progress, but they have felt this to be the necessary prerequisite to it.

One may ask why big nations, within whose borders movements of goods are free, do not experience the same phenomenon in different parts thereof. Various reasons tend to mitigate its likely adverse effects within a nation. Free trade within national borders is accompanied by a much better atmosphere for labour and capital movements. The country has also more or less similar economic and social overhead facilities. The common powers of taxation and expenditure are all the while operating to reduce glaring disparities in distribution, and create broad equality of opportunity. A common currency, credit and banking policy, and national fiscal policy are in operation. Even then, most of the developed nations themselves have an important problem of depressed underdeveloped or backward areas within their borders. The problem of interarea development within the same nation assumes acute forms from time to time and has to be specifically tackled. The State has to resort to various measures to ensure that some parts do not continue to be backward and become a drag on national economic prosperity. It uses its powers of location and various other inducements and deterrents to ensure that the necessary corrective forces operate at the national level. In India, this question has been given serious attention and the Third Five Year Plan has devoted one entire chapter to this problem.[8] The State has no need to resort to control of commodity movements, within the country, only because it has more powerful and effective weapons in its armoury for securing equitable progress of various parts.

COUNTRY, REGION AND THE WORLD

Is a region like Europe, Latin America, or Asia, or substantial adjacent areas in it more like a nation or more like the world in this respect? Can it, by any circumstances, be made to resemble more a nation than the comity of nations? Free trade within a group of nations can easily be prescribed; but, will it be possible with the same ease to lay down also free movements of labour, capital and enterprise? If allowed, will they be as mobile as within the country? Can fiscal and monetary policies and social services be sufficiently harmonized to make competition meaningful and beneficial?

Of course, in any case, the removal of trade barriers would be a gradual process and exceptions and escape clauses would have to be allowed, so that the historical division of labour does not get disturbed too suddenly. These problems of adjustment and of transition, though very difficult, are entirely of a different order; for, they may only mean the slow attainment of the ideal. They do not call into question the very necessity and benefits of regional trade arrangements. They only draw attention to the likely slow tempo; they do not throw in doubt the direction of reform, much less its worthwhileness. The question of the desireability of the goal itself is much more far-reaching and fundamental.

Since regional economic and political conditions vary widely, the answer may differ from one region to another. But a few general tests can be laid down. Since much more than a customs union is involved, the approach has necessarily to be positive and institutional rather than negative and functional.[9] Are the countries concerned ripe for, and prepared to coordinate their policies in these various fields and to set up bodies to whom

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8. Government of India, Planning Commission, *Third Five Year Plan*, (Delhi: Manager of Publications, 1961), chap. IX—Balanced Regional Development.

9. For further elaboration on this point, *see*, Sannwald and Stohler, *Economic Integration*, (Princeton: Princeton University Press, 1959), pp. 84-98.

they will surrender in law or in fact a certain part of their authority? Are they willing, if necessary, to subordinate temporary national interests, as they conceive them, to regional interests as conceived by regional bodies, in certain important spheres? If the countries concerned are democratic, will public opinion in them not be too disturbed over what might appear to them a surrender of national interests? Have they, in other words, evolved, a sufficiently strong loyalty to the region? In turn, does the region feel sufficiently strongly for the individual members so that, if necessary, it will sacrifice some growth to equity, in order that no member falls far behind? In the post-War period, many important institutional steps have been taken on the world plane like the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), the International Development Authority (IDA), the United Nations Technical Assistance Administration (UNTAA), the International Monetary Fund (IMF), the General Agreement on Tariffs and Trade (GATT), and the large-scale financial and technical aid given by the developed countries in various forms. The importance of these new institutions and practices as leading the way towards world integration should not be underrated, but it is obvious that much more is needed. It is only if regional cooperation can operate more effectively and without doing substantial harm to the effective world cooperation already established that there is a case for it.

EUROPEAN ECONOMIC COMMUNITY

As far as the European region (excluding the Communist countries) is concerned, the problem is simple. For many political and economic reasons, their unity has been a long-cherished ideal. In their cold war against Communism or in their economic problem *vis-a-vis* the United States, they feel they would have no effective voice unless they were united. Many events since the Second World War have fostered in them a common will and habit of common action. The countries which have already joined the ECM are not very dissimilar in their level of economic development and can easily look forth to reduce this gap through various measures and agencies like European Investment Bank, the Social Fund, the Overseas Development Fund, the proposed Agricultural Improvement Fund, *etc.* Being a highly prosperous region, it can easily finance the costs of these equalitarian measures. Further, a whole set of governing or directive bodies like the Assembly, the Council of Ministers, the Court of Justice and the Commission, which do not entirely operate on the unanimous decision but on the qualified majority, and even simple majority votes, has been brought into existence. Whether these devices and mechanism will work as expected or whether frequent resort will have to be made to safety valves and safeguards cannot be said now. As yet, the ECM has not taken its final shape.[10]

[10] For a brief account of the vagueness of arrangements, *see*, *Economic Survey of Europe in 1961*, *op. cit.*, pp. 40-47.

Where the economic levels have been highly desparate as in the case of the associated countries and territories overseas, they have been allowed the special right of levying tariffs on imports from member countries for revenue only or for the sake of economic development; only they must be non-discriminatory as among members. One does not know whether this concession will leave sufficient scope for the satisfaction of their legitimate desire for economic development, or whether the other developed countries will be prepared to accord this preferential treatment for long. The present special arrangements last only for five years. As said before, one cannot predict the difficulties that may be faced, the solutions that may be adopted, or whether the ECM will be finally a success.[11] But the initial circumstances under which it starts are propitious. The attempt is not merely at a customs union but the creation of the much more comprehensive and meaningful economic community, a limited economic union with pronouncedly political features.

COMMON MARKET FOR LATIN AMERICA

The same can hardly be said about the scheme for Latin American common market or parts thereof. The United States interest in Latin America has led, both by precept and as a protest, to certain similar institutions for Latin America, but these have hardly evolved anywhere near the West European standards. The disparities among countries are wide. The political institutions are not similar. The level and rate of economic growth also vary widely. The small share of intra-regional trade in total trade of the area (9%) illustrates the low degree of intra-dependence within the group. The tie that binds the region together and forms the case for a common market[12] is the non-availability of foreign exchange which is a severely limiting factor on economic growth. Any drive for exports under the present conditions, however well-sustained and well-devised, cannot meet the gap. Import-substitution, therefore, seems to be the only way by which this limitation can be overcome. But substitution is a costly process, especially so if the market is limited and the goods to be substituted are in part capital goods and durable consumption goods where the economies of scale are important.[13] At some stage, this may even adversely affect

11. Even such a bold and stimulating writer as Professor Benoit feels: "The difficulties—both external and internal—are grave, and no one can yet say whether this bold experiment will succeed." *Op. cit.*, preface xiii.

12. For an authoritative account, *see*, United Nations, *Inter-Latin American Trade, Current Problems*, (New York: United Nations, 1957); and United Nations, *The Latin American Common Market*, (New York: United Nations, 1959).

13. The minimum size necessary for a unit varies largely from product to product, and probably also according to the technique used. Further, in order that a reasonable standard of efficiency may be attained in a country, more than one plant in most industries is essential. It is, however, not necessary that a country should be large enough to have every industry within its borders, and countries with small size not well endowed by nature like Switzerland and Belgium have managed to do well. For this and allied

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the level of exports and become a selfdefeating process. Even earlier, it will definitely slow down the rate of growth, though it may still be more rapid than through a free-world trade policy. Regional cooperation, which will ensure a sufficiently wide market without hindering the rate of growth, would be a much better solution.

The Economic Commission for Latin America (ECLA) has devoted really competent and serious attention to thinking out this problem and devising a scheme with safeguards so as to meet every conceivable objection. In the process, as it sometimes happens in such cases, it seems to have given away much of the ideal. Even at the end of the transitional period, the Latin American common market will not evolve into a customs union, much less an economic union; it will be only a free-trade area. The members will have the right to determine their own import and export duties in relation to third countries, though for sake of ease of comparison and suggestions for action other trade restrictions will be discouraged, and equivalent translations in duties will be welcomed. Since different import duties on raw materials and intermediate goods imported from third countries will lead to distorted locations of industries by providing artificial stimulants or deterrents, a common level of import duties in their case will be the goal. But this will be only to ensure the efficient and smooth working of a free-trade area which may break down in absence of such understanding. It does not modify its essential character. Obviously, the workability of such a scheme will depend on the possibility of working out a reasonable line of demarcation between re-exported goods and goods manufactured in the region, and it is at least debatable whether this can be done. In any case, in a free-trade area, certificates of origin requiring checks on movements of commodities and services at the border become essential, and 'administrative protectionism' is likely to grow. Further, there is no definite provision as to when the arrangements will lead to a free-trade area. All that is visualized in the first transition period of ten years is the lowering of the average level of tariffs to specified rates on each of the three distinct varieties of goods: *a*) primary commodities excluding certain agricultural commodities; *b*) industrial goods for which demand is expected to increase very largely, and in respect of which there is a wide margin for import-substitution like machinery and equipment, motor vehicles, other durable goods, *etc.*;

questions, *see*, Robinson (*ed.*). *The Economic Consequences of the Size of Nations*, proceedings of a conference held by the International Economic Association (London: Macmillan and Company, 1960). Mr. Robinson sums up the discussion at the conference by saying that the minimum size for developed economies seemed to be a population above 15—50 million (pp. xviii-xix). For poorer countries, a larger size would be needed because of low purchasing power. Of the 20 Latin American countries, only 1 country had population in excess of 50 million, 2 had between 15—50 million, 5 between 5—15 million, and 12 between 1—5 million. Of the 16 ECAFE countries for which recent population figures could be obtained, only 4 exceeded 50-million mark, 4 were between 15—50 million, 5 were between 5—15 million, and 3 were between 1.2—2.3 million.

and, *c*) industrial goods for which demand is relatively slow-growing, and whose production in the region is so advanced that there is no longer any appreciable margin for import-substitution like current consumption goods. Keeping in mind this goal, there will be a further flexibility insofar as member countries interested could negotiate with one another on which specific commodities they will lower duties, by what level, and according to what time table. But the most favoured-nation clause will apply making all such negotiated reductions universal within the group. It is hoped that if one country tries to reduce duties only on items which do not matter, others will soon find out and behave likewise. In any case, this will only postpone the goal a little. Even if this logic works out as anticipated, the final product in the foreseeable future will be a preferential trade area[14] which is very different in its effects from a customs union of free-trade area as understood in the GATT articles.

This is not all. Since the ECLA was keen on ensuring equal distribution of benefits, and it was realized that formal reciprocity of treatment was not enough to secure equity among nations differently circumstanced, the members of the region are to be divided into three groups, according to whether they are preponderantly producers of primary commodities, are also manufacturing products but mainly consumption goods, or have also made some advance in the production of durable consumption and capital goods. The trade liberalization goals are to be different for the different groups, and countries within the region can give duty concessions to the earlier groups without extending the same to the latter groups but not *vice versa.* This would have the effect of permitting more concessions to needy areas, but also lead to different degrees of preference. Further, the Central American countries, which had already entered into a preferential trade agreement, are allowed to continue their arrangements without being asked to extend these preferences to other member countries.

It is realized that assurance of a preferred market may not be enough for the setting-up of a new complex difficult industry. A more positive step of regional collaboration, laying down the lines of manufacture in different nations and trade among them in these commodities, may be essential. Since many new industries of this nature have to be set up, and collaboration and understanding throughout the region on some general basis, or specifically each time on some *ad hoc* basis, is not possible, nations which would like to enter into such specific agreements for one or more industries are allowed to do so without any need of extending it to the whole region, subject to the approval of the Trade Committee. The discriminatory trade pre-

14. This was pointed out by one of the members of the Working Group, Mr. Raymond Mikesell. *See, The Latin American Common Market, op. cit.*, p. 50.

ferences alone will not, however, be counted as a part of the minimum necessary liberalization.

There is another important question that the ECLA recommendations raise, *viz.*, the mechanism which will ensure that with the safeguards and limitations the preferential area contemplates will allow sufficient scope for satisfaction of the aspirations for economic progress among its constituent members. The major reliance is on the working of the private enterprise.[15] It is hoped that with the proposed built-in safeguards and the interest of the governments concerned, the natural comparative advantages of the area will so work themselves out as to lead to proper distribution of benefit. It may, however, be that historical factors may also work themselves out as to defeat this purpose and no other remedies except trade restrictions will work. In this case, the ECLA recommendations may not succeed and the balance-of-payments clauses, providing that members with a surplus should liberalize further their trade measures and countries with a deficit could temporarily resort to further restrictionist measures will have to come into effect. But neither this nor the provision of a payments union with liberal credit measures can both ensure a proper trade balance and give a satisfactory rate of progress, if the basic conditions do not permit it as in the case of the trade between developed and underdeveloped countries.[16]

ECAFE REGION

The ECAFE as a region has been also thinking on these lines. Hitherto, in the ECAFE countries, as in the ECLA region, foreign exchange availabilities have been a serious hinderance to economic progress, and no efforts on their part nor effects of any reasonable liberalization measures on the part of their trading partners will enable them in the future to reduce the exchange gap to a dimension which can be filled in by foreign capital imports. The scope for the expansion of the intra-regional trade of ECAFE[17] is large,

15. "It would be private enterprise that in the final issue would decide which industries were to be established, in which countries they were to be installed and what degree of specialization was to be attained." *See*, *The Latin American Common Market*, *op. cit.*, p. 22.

16. For the rapid march of events since the publication of *The Latin American Common Market* and especially for a critical evaluation of the Montevideo Treaty, *see*, R. Mikesell, "The Movement toward Regional Trading Groups in Latin America," in Hirschman (*ed.*), *Latin American Issues*, (New York: Twentieth Century Fund, 1961), pp. 125-151.

17. The intra-regional trade for all the countries of Asia including re-exports put together was 33—40 per cent of the region's total exports and 29—36 per cent of its imports. If, however, Japan was excluded, the proportion decreased to 23—36 per cent for exports and 23—30 per cent for imports. If other industrial regions of Asia like India, Hong Kong, Malaya and Mainland China were also excluded, the percentage would shrink miserably—9-10 per cent for exports and 9-12 per cent for imports. It shows how any effort to further distinguish among countries in the region may hardly be worthwhile.

with countries like Japan and India belonging to this group. The high income elasticity of demand for each other's products and their preferences for low-priced goods and simple capital goods should stimulate intra-regional trade. It must be admitted that as far as the past is concerned, trends within the ECAFE region have not been encouraging in this regard. The intra-regional trade as a proportion of total regional trade has been rather stagnant and some countries have found their trade with the rest of the region shrinking (*see*, Table 1).[18] Many causes have, however, been responsible for this. If petroleum is excluded, the regional export trade itself has expanded at an insignificant rate during the last three decades—less than that in primary products and less than the total exports of primary producing countries[19] and there can be little scope for changes in such a stagnant pool. The region has severely economized in food and consumption imports, and the ECAFE region, except Japan, and to some extent India, have little to offer in capital goods. There have been many factors like difficulties of transport and communications, trade-preference policies, tied loans, political connections, *etc.*, which have resulted in restricting the level of intra-regional trade. Further, the relatively low growth, and lack of industrialization and diversification of economic activities in many of these countries has inhibited the growth of trade among them. Now that many of these causes, except the tied loans, are disappearing, there should be scope for greater trade.

The experiences of India and Japan as pioneers of development in the region is interesting in this connection. The composition of Indian foreign trade has greatly changed during the last few years. While primary products still account for a little more than one-half, of her exports, the non-primary products constitute a little more than two-fifths. Her exports to ECAFE region amount to one-sixth of her world exports. Her exports of non-primary goods to ECAFE countries have the same proportionate importance. There are, however, certain categories of these goods where the importance is much larger. For instance, in item 7 (SITC code no.) *viz.*, machinery and transport equipment, the exports to the region account for one-half and in items 5 and 8—chemicals and miscellaneous manufactured goods—for about one-third. In item 6 (manufactured goods classified chiefly by material), on the other hand, which is by far the most important group, the region's share is less (Table 2).

If the non-industrial countries, regional and outsider, are taken as a whole, the picture remains the same, though the magnitude changes. Seven-

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18. For a brief description, *see* United Nations, *Economic Survey of Asia and the Far East, 1959,* (Bangkok: ECAFE, 1960), pp. 79-80.

19. *Ibid*, pp. 55-58.

tenths of the total non-primary Indian exports are absorbed by them. The share amounts to more than three-fourths and nine-tenths respectively in case of miscellaneous manufactured goods and machinery and transport equipment respectively. In the case of chemicals and manufactured goods, the proportion is about one-half each (Table 3).

Japan's world exports predominantly consist of non-primary products, which account for nearly nine-tenth of the total. The exports to the ECAFE region are constituted even more of non-primary products. The region is responsible for one-third of the total Japanese export trade, and for a little more of non-primary exports. The largest proportion is found in the case of chemicals, where the region absorbs 70 per cent of the Japanese exports (Table 4). If all the non-industrial countries are taken into account, their share in Japan's exports of non-primary products rises very sharply from 36-37 per cent to 70 per cent and for items 5 to 7 from seven-tenths to nine-tenths (Table 5).

This clearly shows that it is likely that with greater industrialization, apart from simple manufactured goods, like textiles which many parts of the region would like to manufacture within their borders, the region is likely to become an important market for one another's non-primary products. The question is: Are any trade arrangements or preferences likely to speed up this process in such a way as to make a significant difference to the exchange possibilities without seriously affecting economic progress in other ways? If so, what sort of trade arrangements are likely to stimulate it?

CUSTOMS UNION

A complete economic union or customs union or even free-trade area embracing a substantial part of the region is not conceivable at the end of a reasonable transition period of 10-12 years. The total population of the region, its cultural and economic diversities, its past and immediate present, make this type of cooperation very difficult. Further, many members of the region assign a great role to the public sector and State trading, and trade is quantitatively controlled. The controls fulfil a triple role—exchange-allocation, protection of home-produced goods and control of luxury consumption. They are in this third aspect a necessary concomitant of the policy of investment allocation and capital issues control. It will not be found possible to reduce all these to duties *vis-a-vis* non-memb ercountries, not even possible to dispense with them in favour of price-conformative restrictions regarding member countries. The removal of intra-regional trade barriers seems to be a rather remote ideal. Further, in the conditions prevalent in the region, free factor-movements are not likely to be immediately acceptable. The biggest country in the region, India, is comparatively poor; wages are low; and, the employment opportunities are limited. The neighbouring countries are unlikely to welcome large-scale migration from India. In fact, they are trying to induce the Indians within their borders to leave them. The Chinese are even less welcome in other parts of the region. In the employment conditions of today and the next few years, no country is likely to agree to unrestricted immigration of labour. The countries concerned are all capital-hungry and the limited capital movements that are possible within the region cannot do much. Many member nations have rather rigid and very different notions on in what fields and under what conditions foreign businesses and private equity capital should be permitted to come and stay, and a harmonization of their policies in this regard would prove difficult. An investment bank for the region, a social fund, or an agricultural improvement fund will certainly be important and useful devices, but can hardly be expected to attract enough resources to play a significant role in creating conditions wherein free trade could lead to allround economic progress for all the member countries.

The significance of this conclusion has to be fully grasped. Of all the forms of regional trade cooperation, a customs union or a free-trade area has a great advantage. Once it is accepted as an ideal, it serves as a driving force, as a guide to action. No further day-to-day decisions can easily throw it into jeopardy. While there may still be transitional problems which have to be tackled, there is no doubt about the final aim to be reached which does not admit of any opportunistic compromises. If one wants to go back on the ideal, no backdoor retreat is possible; only a frontal attack can get countries out of their positions. Further, the regional character of it is obvious. The advantages of it can easily be made available to all within the region.[20] The method of a customs union for regional trade cooperation, therefore, is only temporarily to be ruled out of court. Further research work in the field may show that harmonization of economic policies is not so difficult as visualized here, that except in very limited fields industries in member countries would not need protection from one another, and that once free trade is established within the region, member countries' economies will so adjust themselves that their receipts and payments *vis-a-vis* other members of the region will be more or less balanced enough not to present a serious problem, and need any restrictions. A scheme of differentiation in the extent and duration of liberalization according to the stage of industrialization may be found to ease the problem of disparities in economic development. A new vision may lead to a greater regional loyalty; and make solutions of many difficult problems easy. In the mean-

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20. It is because of this certain character of a customs union that the wider market promised by it can attract private foreign investment on a large scale. Sometimes, this aspect is prized more than other advantages of a customs union *See*, for instance, R. Allen, "Integration in Less Developed Areas", *Kyklos*, fasc. 3, 1961.

time, however, detailed work and more modest schemes of regional cooperation may help in paving the way.

SECTORAL INTEGRATION

While it may not be possible to throw overboard the duty and other trade barriers over the whole of the economy, it may be feasible to have partial regional integration over a particular sector of the economy, as for instance the ECSC in Western Europe where member countries parted with their sovereign power to set up a common authority in coal and steel so as to make these two basic industries vital and strong. The common authority was armed with powers to direct the activity and development of the industries. The question is: How far is this example applicable to industries in Asia, or parts of it?

There are several special factors connected with the development of the coal and steel industries in Europe which have no application in Asia. Both of these industries were highly cartellized and there was no effective competition. As a result, their efficiency had suffered, their average price level was high, and there was discrimination among member countries. For the European economy to be vigorous and competitive, it was essential that these sinews of industry should be available in sufficient quantities at reasonable prices. The political objective of encouraging a spirit of economic and political cooperation between France and Germany and of taking the first step to an eventual political and economic unification of all Continental Europe were even more important.[21] The coal and iron and steel industries are distributed over many member countries and the High Authority of the Coal and Steel Community can influence investment only in a limited manner. The Authority is entitled to give loans and guarantees to encourage promising investment projects. It can also prohibit investments requiring borrowing if the projects in question are likely to require discriminatory measures or if they are uneconomical. But the Authority cannot prevent investments which are individually remunerative but likely to lead to social losses. Its minimum-maximum price fixation powers are confined to periods of market crisis or shortage. It is one of its main functions to bring about competitive conditions in the industries. It, thus, represents an effort at planning under the assumption of competition.[22]

The circumstances in the ECAFE region would be different in many cases. While certainly there would be some scope for similar cooperation and collaboration within the region in established industries, the more

21. D. Bak, *The First Three Years of the Schuman Plan*, (Princeton: Princeton University Press, 1955), pp. 2-4.

22. For a brief account, *see*, Sannwald and Stohler, *Economic Integration*, *op. cit.*, pp. 98-105.

interesting and important questions will revolve round the growing and developing industries with large economies of scale like engineering goods, steel industry, artificial fertilizers, cement industry and newsprint industry, which cannot be established in most of the countries owing to insufficient local demand except at excessively high cost. In their case, the important problem is that of deciding the possible number of plants that should be established with due regard to the growth of demand in that region, the country or countries in which they should be established, the methods (if necessary) for encouraging the establishment of these industries, the export-import policy for the region and the ways to ensure the proper pricing and distribution of the products. Since units on this scale would hardly be started by private parties and since any effective competition is unlikely, the detailed arrangements that would be needed would be much greater.

All these decisions would not be easy to make. To take the first, *viz.*, choosing the nation of location, there are cases where the industries have such distinct resource or factor biases that it is easy to decide on the location. But not infrequently, the situation is not clearcut, and each nation may feel strongly that if it is allowed to establish the industry it can run it economically. More may be involved in this than the natural desire of the nation to get the most for itself. One should try to think *de novo* of the suitable sites of location for the present industries among the developed nations, and check for itself how far it accords with the established division of labour. One is likely to find rather large deviations between the two. While some departures may be explained on the ground of historical accidents or State interferences, quite a significant number will be found to be due to the difficulty of taking correctly all the relevant locational factors into account and balancing them. In the case of underdeveloped economies, where important determinants like skill have yet to be built up, the margin of error is larger and consequently the possibility of differences more. Even within the same nation like India, location of certain big industries has given rise to heated controversies. One would be a great optimist not to expect a recurrence of such events in the region on a bigger scale.

There is only one way in which the national feelings have some probability of being legitimately assuaged. If there is a regional programme of coordinated development of a number of new industries, most of the countries could get some of their claims legitimately satisfied for it would be true of only very few countries that they would be bad in everything, and good in nothing. If, therefore, one industry cannot be located in one country, another is likely to be. There should be set up a common authority to decide on location of all such industries, where the economies of scale do not leave scope for their being started in most of the member regions. Such a list will have to be prepared and agreed to in advance. If necessary, financial assistance may be provided for the starting and establishment of these industries. The authority should command sufficient respect to have its important decisions, even when unpopular, accepted without a serious challenge. In consultation with member countries, the authority should also lay down either the precise procedure and mechanism for fixing import-export quantities and making price and distribution arrangements, or lay them down in detail itself.

It must be recognized that this method, while valuable in some vital sectors, has rather limited applicability; for, the number of such industries in which most of the national markets of the region are too small for them to be operated on purely technical grounds is not large. (As the market grows, it is likely to get smaller). Further, the economies visualized through this arrangement are real and substantial within the industries, but are likely to have only very limited effects on the national economies. The ECSC was visualized as a precursor to similar integrations in other sectors. It proved valuable more because of its showing the path to co-operation on a much broader front.[23] The ECLA Secretariat has only recognized this method as an exception to the general most-favoured-nation treatment among member countries.[24]

LONG-TERM PURCHASE AND SALE AGREEMENTS

Where the above approach is not possible, a more limited approach may be fruitful and promising. Many countries in this region have already development plans or programmes for five years or more. They lay down in advance which industries they want to develop and to what extent. Production targets for agriculture and other established industries are also determined. This should make it possible to calculate the exportable surpluses and import requirements of agricultural raw materials, minerals and capital goods, and, to some extent, also of consumption goods. Long-term purchases and sales contracts could be made on this basis and firm commitments could be entered into. This would specially be easier because of the large importance of the public sector and State trading. It may be quite possible to give the region preference in this matter. It will have the additional advantage of ensuring on the national scale a sufficiently strong export-oriented investment pattern instead of emphasizing always import-substitution which seems a very difficult process even for a large country like India. We have plenty of such instances in Eastern Europe and a recent instance in the Japanese agreement to buy Indian ore in specific quantities

23. For the limits and disadvantages of sectoral integration especially under competitive conditons, *see*, Sannwald and Stohler, *op. cit.*, pp. 104-105.

24. *The Latin American Common Market*, *op. cit.*, p. 20. The report also thinks it best to confine such agreements to a few countries, but that is probably because only productwise agreements have been thought of.

for a long period. The advantage to Japan in this agreement is the certainty of raw-material supplies for the iron and steel industry, while India by having an additional export outlet can plan her mining and transport programme with greater certainty. Such programmes are easily possible in standardized goods. One can conceive of extensive collaboration on these lines.

The regional organization can play an important role in spreading knowledge about the Plans, the production targets and the likely import requirements and export surpluses along with the possible flexibilities in different parts of the region. It can bring the parties together, help in the round of negotiations, lay down norms and settle disputes, if any. At a later stage, coordination of different plans on the basis of agreed specialization may also be possible.

The countries concerned undoubtedly gain through such trade transactions besides certainty of markets and surety of their production schedules being carried out. These in themselves do not amount to small insignificant advantages. But what is the guarantee that there will be trade balancing without which these agreements cannot be of much use in the present circumstances? In voluntary purchase and sale agreements, countries are bound to so evolve their trade programmes as not to lead to an aggravation of exchange difficulties, but there are obvious limits to trade agreements of this sort without their evolving into linked transactions, or rigidly balancing bilateral agreements.

TRADE AGREEMENTS

However hard trade agreements may be pressed into the cause of trade expansion and trade balancing, they have some inherent limitations. Unless they are only goodwill agreements, they need frequent revision in light of changes in requirements, production and world situation, and every change needs hard bargaining and watchfulness. They are not generally suitable for some types of capital goods or of consumption goods, which are likely to constitute a growing share of regional trade. Unless they are entirely composed of firm purchase-and-sale contracts, which are thoroughly executed, balancing becomes a difficult problem. There is no easy way of extending them to other commodities nor of increasing their coverage to other countries. Though occasionally tripartite agreements have been entered into, they have not been frequent and anything beyond seems to be unheard of.

BILATERAL PAYMENTS AGREEMENT

In many ways, a bilateral payments agreement, which could cover all or most of the commodities for purchase or sale, would be a distinct advantare specially suitable only for underdeveloped countries, the countries could also belong to other regions, *e.g.*, Africa, other parts of Asia, or Latin America. In fact, the history of bilateral agreements of countries belonging to the ECAFE region reveals that at least hitherto bilateral agreements have not preponderantly been within the region.[28] In 1959, the ECAFE region had six intra-regional bilateral trade and payments agreements of which two were long-term contracts. India was one of the parties in four of these. There were at the same time nineteen extra-regional payments agreements, of which fifteen were with Communist countries. India was a partner in 10 of these. In view of that, a brief reference to the Indian experience in this field may not be out of place.

Indian Experience

Trade and payments agreements now constitute a significant proportion of India's foreign trade. They account for one-fifth of India's exports and one-fourth of her imports. Of this, 7 per cent of exports and 19 per cent of imports are covered by trade agreements, and 13 per cent and 7 per cent respectively by payments agreements. In India's export promotion measures, thus, payments agreements play a more important role (Table 6). Actually, some of the trade agreements are only goodwill and publicity agreements; they express general intention to promote mutual trade and give lists of commodities in which this could be done. The real significance of trade agreements is less than it appears here. The agreements with Western Europe are largely of this character, and have therefore been mostly excluded from the comments here. The underdeveloped countries in this category account for 5-7 per cent of India's imports and 6-8 per cent of India's exports. Trade with the countries of Eastern Europe and the U.S.S.R. amounts to 3-4 per cent of imports and 5-8 per cent of her exports.[29] Eastern Europe is, thus, only a little less important than the underdeveloped countries, which do not all belong to the ECAFE region. Egypt, Iraq and Chile are outside this charmed circle, and both in 1959-60 and 1960-61, their imports and exports accounted for more than one-fourth of the total. A further significant factor to note is that whereas trade of this character with underdeveloped countries of Asia and Africa has been shrinking, that with Eastern Europe has been on the increase. The export-import trade with underdeveloped countries shrank from 12.2 per cent and 13.4 per cent in 1952-53 respectively to 7.7 per cent and 5.3 per cent in 1960-61, mainly because of the reduction in trade with Pakistan and Burma in both exports and imports, and with

[28] Based on reclassification of agreements listed in, United Nations, *Economic Survey of Asia and the Far East, 1959, op. cit.*

[29] For a detailed analysis regarding India's trade relations with East European countries, *see*, S. Dave, "India's Trade Relations with East European Countries: 1952-53 to 1959-60," *Indian Economic Journal*, July 1961.

China in imports. Eastern Europe, which accounted for less than 1 per cent of India's export-import trade in 1952-53, was responsible for 3.9 per cent of imports and 7.8 per cent of exports in 1960-61 (Tables 7, 8, 9 and 10).

The structure of India's foreign trade with these countries yields interesting conclusions. In 1952-55, capital goods constituted about one-third of imports from countries of Western Europe in this group and less in the case of Eastern Europe. From 1955-56 onwards, things have substantially changed. About 70 per cent of imports from Western Europe and more from Eastern Europe consisted of capital goods and almost the whole of imports from both were non-primary goods compared with 44-48 per cent and 60-67 per cent with the world as a whole. While the contrast with the world is only to be expected in view of the specialization of these countries, this comparison of changes in trends with Western Europe and Eastern Europe is revealing. The payments agreements with Eastern Europe are being used to supply India with the much-needed capital goods. In view of India's increasing needs for this type of goods, the scope for such agreements will increase (Table 11).

As far as exports are concerned, the traditional exports still reign supreme. About 89-93 per cent of our exports are traditional, and it does not make much difference whether we consider Western Europe, Eastern Europe or other underdeveloped countries. Their importance has, however, been increasing a little in Eastern Europe, and declining slightly in Western Europe. With underdeveloped countries, the position is stagnant (Table 12).

A question often arises as to whether really these trade agreements work as envisaged, or whether they result in large accumulations of balances. The trade balances tell only a partial tale in this respect, because the balances on other account are equally important, especially if they have been taken into account in making bilateral agreements, and the measures taken from time to time to balance bilaterally, even if successful, have an important message. Further, taking balances with groups of countries as we have done here for sake of convenience of presentation underrates the difficulties of bilateral trade balancing. The adverse trade balance with Western Europe have been large and persistent. They have increased over the second plan period compared to the first plan period, and over the period 1952-53 to 1960-61 have amounted to 363 per cent of the net exports. As pointed out before, the trade agreements with these countries were only goodwill agreements. With the underdeveloped countries also adverse trade balances have been persistent but slowly declining. Over the period as a whole, they have amounted to 39 per cent of the export to these countries. The net trade balance with East European countries has been fluctuating and during the second plan period, it has been slightly favourable to India. Over the planning period, there was only a net adverse trade balance of 3.1 per cent of the exports (Table 13).

From the Indian experience, it would seem that bilateral agreement would benefit intra-regional trade, trade of the region with planned economies, and other underdeveloped countries, but the share of trade expansion among the three broad categories would be doubtful, and the first may not be the most substantial gainer.

PAYMENTS UNION

One may take the view that if regionalism is not really necessary, and has no distinct advantages, there is no reason why it should prevail. It is only because the regional trade is likely to increase of its own and all that it requires is prethinking and planning that these steps at regional trade cooperation are welcome. This is certainly true, but if we are thinking of other regional forms of more beneficial economic cooperation to which bilateral agreements are only a necessary preliminary, some further encouragment to regional trade may be necessary. In this connection, payments agreements have a great advantage. While specific agreements can only be bilateral or sometimes triennial, a payments agreement can be extended to many countries, and thereby regional cohesion can be provided. This can be done on the lines of the EPU with some sort of automatic drawing rights determined for each member.[30] The necessary funds for this purpose may not raise a problem, if some of the developed countries seeing the advantages may be prepared to extend some aid to this arrangement. Even when the quotas are exhausted, the countries that have drawn their quota in full may not be expected to pay the debit balance in hard currency; they may only be expected to pay in part. Further, the countries that are in credit need not be paid in full in hard currency. If a country is in a persistently creditor or debtor position, it would make suitable changes in trade

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[30] From 1953 to 1959, more than three-fifth of the region's trade was bilaterally balanced, one-fifth multilaterally compensable if trade balances could be freely transferred within the region, and one-sixth was non-compensable within the region. The regional total trade is nearly 5,000 million dollars, so that \$ 2,000 million cannot be compensated if only bilateral arrangements prevail, and \$ 800 million cannot, in any case, be settled.

There is a further factor which must be considered for the purpose of payments mechanism. What is disturbing to any payments agreement is not so much a large adverse balance succeeded or preceded by a large favourable balance which can easily be met by swing credit or some temporary advance, but continuing deficits and surpluses. It is disturbing to note that hardly 2 per cent of the trade can be compensated through changes in trade balance over a period of time (Table 14). There are some countries like Burma, Pakistan, Indonesia, Japan, *etc.*, with continuing surpluses and some with lasting deficit like Ceylon, Malaya, Singapore and the Philippines that will constitute the hard core. It must be remembered that the trade-pattern will certainly much change as a result of the new arrangements that might be suggested after serious consideration.

restrictions. Only the common body would have in consultation with the member concerned to ensure that the necessary relaxations and restrictions are done without doing any harm to the vital interests of the other nations concerned, especially their capacity for growth.

There is no question that such a payments agreement can play a useful role but its limitations have also to be recognized. Since the countries concerned would not be compelled to liberalize trade, there would not be an automatic expansion. The members would have to take deliberate decision. The only restraint operating on them will be the regional understanding and pressure exercised at the regional payments union. Probably, it may be necessary to couple a payments union with a trade organization also which will link up trade policies with the needs of this organization. It may be possible to empower such a trade body with suitable powers in the light of experience.

It may be recognized that the conspicuous success of the EPU was, among other things, due to the fact that it coincided with the relaxations in other directions and worked in a period of rapid economic growth. In its history there were many instances of excessive credit and debit balances of member countries which required special negotiations and agreements. The arrangements were possible only because of the general atmosphere of expansion and cooperative spirit. As conditions developed in which the exchange problems of the countries became less acute, the working became smoother. It is true that the EPU itself helped the relaxation of exchange restrictions but it was only one of the helpful factors, and in absence of rapid European economic recovery, the stipulated progress could not have taken place. The comparative monetary discipline of these member countries and their effectiveness aided the process greatly. As far as the ECAFE is concerned, the countries would be very differently circumstanced. Their economic policies may widely vary and the effectiveness of such policies even more. Further, trade liberalization *inter se* much less outside, on any appreciable scale is not easily visualized. The result would be that the payments union would have to exist for long under rigid isolation from the rest of the world. This is bound to put the countries to some strain. The task will, therefore, require, unlike EPU, very detailed work and day-to-day awareness. It is only through such devotion to this as well as to long-term trading agreements that fruitful regional cooperation in the trade field will evolve.

A caveat is necessary before we close. The exchange difficulties of the region are fundamental, with many facets. The devices of regional trade collaboration can only help in reducing them. There will still be great need and possibility of more exports to the United States, Western Europe, other developed countries and underdeveloped countries outside the region. The regional trade arrangements should do nothing to interfere with the necessary efforts to promote export trade with these countries. In fact, by making more economical production possible, it should help. It is only on this consideration that they could work successfully to the achievement of the common goal of regional prosperity.

TABLE 1

REGIONAL TRADE OF ASIA* 1954—58

(in million U.S. dollars)

YEAR	ASIA		ASIA (excl. Japan)		ASIA (excl. Japan, Mainland China, Hong Kong, India and Malaya)	
	To World	To Asia	To World	To Asia (excl. Japan)	To World	To Asia (excl. Japan, Mainland China, Hong Kong, India and Malaya)
	(1)	(2)†	(3)	(4)†	(5)	(6)†
			EXPORTS			
1954	7,547	2,953 (39.1)	5,918	1,740 (29.4)	3,003	272 (9.0)
1955	9,606	3,171 (33.0)	7,595	1,775 (23.4)	3,232	326 (10.0)
1956	10,317	3,572 (34.6)	7,816	1,985 (25.4))	3,086	277 (9.0)
1957	10,837	3,794 (35.0)	7,979	2,139 (26.8)	3,207	324 (10.0)
1958	9,729	3,917 (40.3)	6,852	2,452 (35.8)	2,890	312 (10.1)
			IMPORTS			
1954	8,530	3,027 (35.5)	6,130	1,783 (29.1)	3,245	376 (11.6)
1955	10,348	3,358 (32.5)	7,876	1,932 (24.6)	3,369	360 (10.7)
1956	12,231	3,785 (30.9)	9,001	2,098 (23.3)	3,829	360 (9.4)
1957	14,245	4,099 (28.8)	9,962	2,263 (22.7)	4,228	416 (9.8)
1958	11,732	4,151 (35.4)	8,698	2,614 (30.1)	3,560	363 (10.2)

Source: UN Direction of International Trade as Reclassified in the Institute of Asian Economic Affairs, *Asian Trade Statistics*, (Tokyo : Institute of Asian Economic Affairs, 1961).

*Includes Japan, Formosa, Mainland China, Hong Kong, Korea, Burma, Ceylon, India, Pakistan, Malaya, Singapore, Afghanistan, Indo-China, Cambodia, Laos, Vietnam, Indonesia, Philippines, Thailand and other sterling, French or Dutch Asia.

†Figures in brackets in Columns (2), (4) and (6) refer to percentage share in exports to world in Columns (1), (3) and (5) respectively.

TABLE 2

INDIA'S EXPORT TRADE WITH THE WORLD AND THE ECAFE REGION COUNTRIES* BY BROAD GROUPS, 1957—59

(in lakhs of rupees)

SITC code no.	Group	All countries			ECAFE region countries		
		1957	1958	1959	1957	1958	1959
0	Food	17,910	19,235	19,416	1,606	1,403	1,486
1	Beverages and tobacco	1,284	1,629	1,391	174	262	136
2	Crude materials inedible except fuels	12,453	10,212	11,725	3,105	3,039	3,727
3	Mineral fuels, lubricants and related materials	1,197	969	789	698	596	586
4	Animal and vegetable oils and fats	1,269	824	1,489	64	61	302
	0—4 Total	**34,113** (53.5)	**32,869** (57.6)	**34,810** (56.5)	**5,646** (56.2) (16.6)	**5,360** (57.5) (16.3)	**6,237** (55.8) (17.9)
5	Chemicals	555	442	496	164 (29.6)	145 (32.8)	185 (37.3)
6	Manufactured goods classified chiefly by materials	27,175	21,945	24,055	3,574 (13.2)	3,104 (14.1)	4,091 (17.0)
7	Machinery and transport equipment	184	170	241	102 (55.4)	87 (51.2)	126 (52.3)
8	Miscellaneous manufactured articles	978	847	1,125	240 (24.5)	255 (30.1)	330 (29.3)
	5—8 Total	**28,892** (45.3)	**23,404** (41.0)	**25,917** (42.1)	**4,087** (40.7) (14.1)	**3,590** (38.5) (15.3)	**4,731** (42.3) (18.3)
9	Miscellaneous transactions and commodities, *n.e.s.*	769	782	850	219	360	218
	GRAND TOTAL	63,774	57,056	61,578	10,044 (15.7)	9,324 (16.3)	11,187 (18.2)

Source: Department of Commercial Intelligence and Statistics (DCIS), Government of India, *Monthly Statistics of the Foreign Trade of India*, December Issues of 1957, 1958 and 1959.

* Includes Afghanistan, Burma, Cambodia, Ceylon, China, Hong Kong, Indonesia, Japan, Laos, Malaya, Pakistan, Philippines, Singapore, Thailand, Vietnam.

Figures in brackets alongside indicate percentage share in total exports in respective columns; those in brackets below refer to region's percentage share in Japan's total exports in the corresponding group and year.

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Figures in brackets alongside indicate percentage share in total exports in respective columns; those in brackets below refer to region's percentage share in Japan's total exports in the corresponding group and year.

TABLE 3

INDIA'S EXPORTS OF MANUFACTURED COMMODITIES TO INDUSTRIAL AND NON-INDUSTRIAL COUNTRIES, 1959

(in lakhs of rupees)

SITC code no.→	5	6	7	8	5—8
Countries	Chemicals	Manufactured goods classified chiefly by materials	Machinery and transport equipment	Miscellaneous manufactured articles	Total
Industrial countries*	241.94 (48.7)	11,940.97 (49.6)	22.27 (9.2)	266.50 (23.7)	12,471.68 (29.7)
Non-industrial countries	254.52 (51.3)	12,113.81 (50.4)	219.11 (90.8)	258.58 (76.3)	13,446.02 (70.3)
TOTAL	496.46 (100.0)	24,054.78 (100.0)	241.38 (100.0)	11,25.08 (100.0)	25,917.70 (100.0)

Source : DCIS, Government of India, *Monthly Statistics of the Foreign Trade of India*, December 1959.

*Refers to United States, Canada, Western Europe and Japan.
Figures in brackets relate to percentages.

TABLE 4

JAPAN'S EXPORT TRADE WITH THE WORLD AND ECAFE REGION COUNTRIES* BY BROAD GROUPS, 1956—58

(*in million U.S. dollars*)

SITC code no.	Group	All countries 1956	All countries 1957	All countries 1958	ECAFE region countries 1956	ECAFE region countries 1957	ECAFE region countries 1958
0	Food	177.2	178.7	230.8	25.4	27.1	31.6
1	Beverages and tobacco	2.7	4.5	5.1	0.8	0.8	0.8
2	Crude materials inedible, except fuels	95.0	92.3	75.6	11.2	12.8	11.5
3	Mineral fuels, lubricants, and related materials	11.3	5.0	12.4	9.6	4.0	4.7
4	Animal and vegetable oils and fats	24.8	30.4	30.8	1.3	5.1	2.9
	0—4 Total	**311.0 (12.5)**	**310.9 (10.9)**	**354.7 (N. A.)**	**48.4 (5.6)** (15.6)	**50.0 (5.2)** (16.1)	**51.3 (14.5)** (14.5)
5	Chemicals	106.7	126.0	137.8	77.3 (72.4)	97.8 (77.6)	98.9 (71.8)
6	Manufactured goods classified by materials	1,282.0	1,413.9	N. A.	558.6 (43.6)	592.1 (41.9)	508.9
7	Machinery and transport equipment	483.6	629.6	627.4	134.5 (27.8)	170.3 (27.1)	151.6 (24.2)
8	Miscellaneous manufactured articles	309.0	368.5	399.3	44.5 (14.4)	46.1 (12.5)	41.7 (10.4)
	5—8 Total	**2,181.3 (87.5)**	**2,538.0 (89.1)**	N. A.	**814.9 (94.4)** (37.4)	**906.5 (94.8)** (37.7)	**801.1 (94.0)**
9	Miscellaneous transactions and commodities, *n.e.s.*	0.4	0.5	0.7	0.3	0.2	0.4
	GRAND TOTAL	2,492.7	2,848.9	N.A.	863.6 (34.6)	956.7 (33.6)	852.8

Source : Institute of Asian Economic Affairs, *Asian Trade Statistics, 1956-58*, (Tokyo: Institute of Asian Economic Affairs, 1961).

* Refers to Formosa, China (Mainland), Hong Kong, Korea (South), Burma, Ceylon, India, Pakistan, Malaya, Indo-China, Indonesia, Philippines and Thailand.

Figures in brackets alongside indicate percentage share in total exports in respective columns; those in brackets below refer to region's percentage share in Japan's total exports in the corresponding group and year.

TABLE 5

JAPAN'S EXPORTS OF MANUFACTURED COMMODITIES TO INDUSTRIAL AND NON-INDUSTRIAL COUNTRIES, 1957

(in million U. S. dollars)

STIC code no.→	5	6	7	8	
Countries	Chemicals	Manu-factured goods classified chiefly by materials	Machinery and trans-port equipment	Miscel-laneous manufac-tured articles	Total 5—8
Industrial countries	13.7 (10.9)	407.6 (28.8)	100.9 (16.0)	175.8 (63.9)	698.0 (28.2)
Non-industrial countries	112.3 (89.1)	1,006.3 (71.2)	528.7 (84.0)	132.7 (36.1)	1,780.0 (71.8)
TOTAL	126.0 (100.0)	1,413.9 (100.0)	629.6 (100.0)	308.5 (100.0)	2,478.0 (100.0)

Source : Institute of Asian Economic Affairs, *Asian Trade Statistics, 1956-58*, (Tokyo : I.A.E.A., 1961).

Figures in brackets indicate percentages.

TABLE 6

INDIA'S TRADE WITH BILATERAL PARTNER COUNTRIES 1952-53—1960-61

(in lakhs of rupees)

Year	Trade agreement partner countries		Payments agreement partner countries		All bilateral partner countries	
	Exports (1)	Imports (2)	Exports (3)	Imports (4)	Exports (5)	Imports (6)
1951-53	8,961 (14.9)	9,838 (25.5)	1,297 (2.1)	3,500 (5.6)	10,258 (17.0)	13,338 (21.1)
1953-54	5,785 (10.7)	10,853 (18.3)	2,226 (2.3)	3,525 (6.0)	7,011 (13.0)	14,378 (24.3)
1954-55	5,885 (9.9)	15,473 (22.6)	1,822 (3.0)	3,522 (5.2)	7,707 (12.9)	18,995 (27.8)
1955-56	6,307 (9.9)	13,396 (17.6)	2,343 (3.6)	4,427 (5.8)	8,650 (13.5)	17,823 (23.4)
1956-57	5,442 (8.7)	16,878 (15.3)	3,678 (5.7)	5,222 (4.8)	9,120 (14.4)	22,100 (20.1)
1957-58	5,027 (18.5)	21,110 (17.1)	4,095 (6.9)	5,580 (4.5)	9,122 (15.4)	26,690 (21.6)
1958-59	4,318 (7.5)	19,383 (18.8)	4,941 (8.6)	5,018 (4.8)	9,259 (16.1)	24,301 (23.6)
1959-60*	5,850 (9.3)	18,748 (20.3)	7,247 (11.3)	5,787 (6.3)	13,097 (20.8)	24,535 (26.6)
1960-61†	5,479 (8.6)	18,816 (19.7)	7,425 (11.4)	5,697 (5.9)	12,904 (20.0)	24,513 (25.6)

Sources : 1) DCIS, Government of India, *Accounts relating to the Forign (Sea, Air and Land) Trade Navigation of India.*
2) DCIS, Government of India, *Monthly Statistics of the Foreign Trade of India.*

*Imports for 1960-61 refer to 11 months, April 1960 to February 1961 only.

†If Exports and Imports worth Rs. 8 crores under non-convertible rupee account with Pakistan and Burma are included in 1959-60 and 1960-61 and Exports (Rs. 526 lakhs) and imports (Rs. 251 lakhs) to Mainland China (payments agreement with which expired at the end of 1959) are excluded in 1960-61; figures read :

	(1)	(2)	(3)	(4)	(5)	(6)
1959-60	5,050 (8.0)	17,948 (19.4)	8,047 (13.1)	6,587 (7.2)	13,097 (20.8)	24,535 (26.6)
1960-61	4,679 (7.3)	18,016 (18.9)	7,699 (12.0)	6,246 (6.5)	12,378 (19.2)	24,262 (25.4)

TABLE 7

INDIA'S EXPORTS TO UNDERDEVELOPED BILATERAL PARTNER COUNTRIES, 1952/53 to 1960/61

Country	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59	1959/60	1960/61
					(in '000' rupees)				
1. Pakistan	3,111	801	975	830	792	713	629	720	951
2. Burma	2,219	2,086	1,606	1,239	1,124	1,098	779	1,258	652
3. Afghanistan	472	389	288	214	164	219	366	479	634
4. Indonesia	530	661	544	1,160	769	417	296	483	309
5. China	41	80	296	654	288	376	315	802	526
6. Egypt	568	347	809	946	1,139	1,059	823	1,036	1,341
7. Iraq	208	244	276	213	281	204	183	300	297
8. Chile	270	82	150	95	71	94	77	94	151
9. North Vietnam	..	..	..	..	..	31	22	27	42
10. TOTAL	7,419	4,690	4,944	5,351	4,626	4,211	3,490	5,199	4,861
					(percentage share in India's total exports)				
11. All countries	12.2	8.7	8.3	8.4	7.3	7.1	6.1	8.4	7.7
12. Pakistan	5.2	1.5	1.6	1.3	1.2	1.2	1.1	1.2	1.5
13. Burma	3.7	3.9	2.7	1.9	1.8	1.8	1.4	2.0	1.0
14. Other countries	3.3	3.3	4.0	5.2	4.3	4.1	3.6	5.2	5.2

Sources : 1) DCIS, Government of India, *Accounts relating to the Foreign (Sea, Air and Land) Trade Navigation of India.*
2) DCIS, Government of India, *Monthly Statistics of the Foreign Trade of India.*

TABLE 8

INDIA'S IMPORTS FROM UNDERDEVELOPED BILATERAL PARTNER COUNTRIES, 1952/53 to 1960/61

Country	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59	1959/60	1960/61*
					(in '000' rupees)				
1. Pakistan	2,188	1,930	1,958	2,711	1,576	1,166	602	939	1,306
2. Burma	2,647	1,755	5,736	958	940	1,353	4,293	1,592	1,239
3. Afghanistan	466	445	542	438	420	518	457	591	461
4. Indonesia	101	150	81	146	208	413	335	397	343
5. China	1,302	99	203	438	753	423	606	427	251
6. Egypt	1,512	2,766	1,969	2,310	832	812	670	1,371	1,223
7. Iraq	205	256	184	227	231	202	241	187	212
8. Chile	.26	.02	113	195	68	40	29	64	26
9. North Vietnam	..	..	..	..	..	7	109	0.1	1
10. TOTAL	8,447	7,401	10,766	7,423	5,028	4,914	7,342	5,568	5,062
				(percentage share in India's total imports)					
11. All countries	13.4	12.5	15.7	9.8	4.6	3.9	7.1	6.4	5.3
12. Pakistan	3.5	3.3	2.8	3.6	1.4	.9	.6	1.0	1.4
13. Burma	4.2	3.0	8.4	1.3	.9	1.1	4.2	1.7	1.3
14. Other countries	5.7	6.2	4.5	4.9	2.3	1.9	2.3	3.7	2.6

* 11 months

Source : Same as in Table 7.

TABLE 9

INDIA'S EXPORTS TO EAST EUROPEAN BILATERAL PARTNER COUNTRIES, 1952/53 to 1960/61

Country	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59	1959/60	1960/61
					(in lakhs of rupees)				
1. U. S. S. R.	85	115	212	326	1,532	1,662	2,589	3,035	2,882
2. Poland	4	15	46	33	123	92	88	492	387
3. East Germany	2	1	4	2	145	146	117	291	325
4. Hungary	4	2	2	8	11	37	76	71	136
5. Czechoslovakia	107	276	158	133	309	337	397	502	708
6. Yugoslavia	11	1	2	24	26	78	91	258	332
7. Bulgaria	..	..	1	2	5	2	14	17	19
8. Rumania	3	..	4	1	22	56	43	237	136
9. Total Eastern Europe	216	410	429	529	2,089	2,410	3,415	4,903	4,924
10. Total (excl. USSR)	131	288	217	203	557	748	826	1,868	2,043
					(percentage share in India's total exports)				
11. Total Eastern Europe	.4	.8	.7	.8	3.3	4.1	5.9	7.9	7.8
12. U. S. S. R.	..	..	.4	.5	2.4	2.8	4.5	4.8	4.6
13. Other Eastern Europe	.4	.8	.3	.3	.9	1.3	1.4	3.1	3.2

Source : Same as in Table 7.

TABLE 10

INDIA'S IMPORTS FROM EAST EUROPEAN BILATERAL PARTNER COUNTRIES, 1952/53 to 1960/61

Country	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59	1959/60	1960/61*
					(in lakhs of rupees)				
1. U. S. S. R.	24	60	181	821	1,691	2,447	1,721	1,605	1,314
2. Poland	26	16	424	43	444	299	230	412	380
3. East Germany	10	8	23	37	48	64	198	258	299
4. Hungary	16	10	10	41	66	81	129	195	181
5. Czechoslovakia	135	114	125	289	727	548	578	457	670
6. Yugoslavia	9	7	16	29	200	306	160	306	395
7. Bulgaria	..	..	1	3	22	12	8	25	52
8. Rumania	..	..	28	32	19	63	53	140	471
9. Total Eastern Europe	220	215	808	1,095	3,217	3,820	3,076	3,398	3,762
10. Total (excl. USSR)	196	155	627	474	1,526	1,373	1,355	1,393	2,448
					(percentage share in India's total imports)				
11. Total Eastern Europe	.3	.4	1.2	1.4	2.9	3.1	3.0	3.6	3.9
12. U. S. S. R.	..	..	.3	.8	1.5	2.0	1.7	1.7	1.4
13. Other Eastern Europe	.3	.4	.9	..	1.4	1.1	1.3	1.9	2.5

* 11 months

Source : Same as in Table 7.

TABLE 11

IMPORTANCE OF CAPITAL GOODS IN INDIA'S IMPORTS FROM BILATERAL PARTNER COUNTRIES, 1952—59

Year	West European trade agreement partner countries		East European payments agreement partner countries		Total India (incl. other countries)	
	Total imports	Imports of capital goods	Total imports	Imports of capital goods	Total imports	Imports of capital goods
1952-53	4,671 (100.0)	1,943 (41.6)	220 (100.0)	97 (44.3)	64,249 (100.0)	18,195 (28.3)
1953-54	6,762 (100.0)	2,321 (34.3)	215 (100.0)	58 (26.8)	54,407 (100.0)	16,133 (29.7)
1954-55	7,421 (100.0)	2,580 (34.8)	808 (100.0)	156 (19.3)	63,305 (100.0)	19,117 (30.2)
1955-56	9,305 (100.0)	4,915 (52.8)	1,095 (100.0)	661 (60.4)	64,964 (100.0)	28,574 (43.8)
1956 (April-December)	10,324 (100.0)	6,525 (63.2)	1,926 (100.0)	1,796 (93.3)	59,755 (100.0)	31,024 (51.9)
1957	17,766 (100.0)	12,766 (71.9)	3,847 (100.0)	3,156 (82.0)	1,02,582 (100.0)	49,709 (48.5)
1958	13,594 (100.0)	9,555 (70.3)	3,496 (100.0)	2,800 (80.1)	86,418 (100.0)	37,994 (44.0)
1959	16,187 (100.0)	10,897 (67.3)	3,393 (100.0)	2,398 (70.7)	88,738 (100.0)	38,675 (43.6)

Sources : 1) DCIS, Government of India, *Accounts relating to the Foreign (Sea, Air and Land) Trade Navigation of India.*

2) DCIS, Government of India, *Monthly Statistics of the Foreign Trade of India.*

Figures in brackets indicate percentage share in total imports from countries in respective groups.

TABLE 12

IMPORTANCE OF NON-TRADITIONAL GOODS IN INDIA'S EXPORTS TO BILATERAL PARTNER COUNTRIES, 1957-59

	Non-traditional exports* (*in lakhs of rupees*)	Percentage share in India's total exports
West European countries		
1957	303	13.0
1958	278	11.9
1959	495	17.5
East European countries		
1957	199	8.5
1958	148	4.8
1959	232	5.1
Underdeveloped countries		
1957	480	11.6
1958	407	11.2
1959	478	10.0
All countries		
1957	6,490	11.2
1958	3,571	7.7
1959	3,118	7.2

Source: DCIS, Government of India, *Monthly Statistics of the Foreign Trade of India*, December issues of 1957, 1958 and 1959.

*Commodities other than primary commodities and leather and textile manufactures (SITC Sections other than 0-4, 61 and 65)

TABLE 13

INDIA'S TRADE BALANCE WITH BILATERAL PARTNER COUNTRIES, 1952-53 to 1960-61

(*trade balances in lakhs of rupees; ratios in percentage*)

Year	With West European countries		With East European countries		With underdeveloped countries	
	Net trade balance (1)	Ratio of (1) to exports to these countries (2)	Net trade balance (3)	Ratio of (3) to exports to these countries (4)	Net trade balance (5)	Ratio of (5) to exports to these countries (6)
1952-53	—2,048	—78.1	—4	—1.9	—1,028	—13.9
1953-54	—4,851	—253.8	+186	+45.4	—2,711	—57.8
1954-55	—5,087	—218.0	—369	—86.0	—5,822	—117.8
1955-56	—6,535	—235.9	—566	—107.0	—2,072	—38.7
1956-57	—11,450	—476.1	—1,128	—154.0	—402	—8.7
1957-58	—15,455	—618.0	—1,410	—58.5	—703	—16.7
1958-59	—11,529	—489.8	+339	+ 9.9	—3,952	—113.2
1959-60	—12,594	—419.8	+1,505	+ 30.6	— 369	— 7.1
1960-61*	—13,996	—476.9	+820	+16.6	— 617	—12.6
Cumulative 1952-53 1955-56	—18,521	—192.2	—763	—48.2	—11,633	—51.9
Cumulative 1956-57 1960-61	—65,024	—486.2	+163	+ .9	—6,043	—26.9
Cumulative 1952-53 1960-61	—83,545	—363.0	—600	— 3.1	—17,676	— 39.4

Sources : 1) DCIS, Government of India, *Accounts relating to the Foreign (Sea, Air and Land) Trade Navigation of India.*

2) DCIS, Government of India, *Monthly Statistics of the Foreign Trade of India.*

*In deriving net balance, annual imports are estimated on the basis of 11 months' figures.

TABLE 14

CUMULATIVE TRADE BALANCES FOR ECAFE REGION: 11 COUNTRIES*

	From 1953	Upto 1954	Upto 1955	Upto 1956	Upto 1957	Upto 1958	Upto 1959
				(in million dollars)			
Total trade	3,949	7,871	11,989	16,531	21,350	26,284	31,674
Bilaterally compensated	2,337	4,781	7,596	10,416	13,311	16,400	19,802
Multilaterally compensable	815	1,542	2,155	3,211	4,366	5,568	6,766
Compensation through time	..	269	341	341	350	393	631
Now not compensable	796	1,188	1,806	2,436	3,297	3,918	4,472
				(percentage)			
T. T.	100	100	100	100	100	100	100
B. C.	59	61	63	63	62	62	63
M. C.	21	20	18	19	21	21	21
C. T. T.	..	3	2	3	2	2	2
N. N. C.	20	15	15	15	15	15	14

Source: United Nations, *Direction of International Trade*. (New York: United Nations).

*Burma, Ceylon, Hong Kong, India, Pakistan, Indonesia, Japan, Philippines, Thailand, Federation of Malaya and Singapore.