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REVIEW OF FOREIGN DEVELOPMENTS

November 8, 1949

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BRITAIN'S TERMS OF TRADE AND DEVALUATION OF THE POUND Samuel I. Katz

That rising world prices and adverse shifts in the terms of trade have aggravated Britain's external difficulties in the postwar period has been widely discussed in the United Kingdom. Consequently, hopes that the burden of the external deficit would lighten with improved terms of trade were widely entertained. Although Britain's terms of trade did improve rapidly after April 1949, this improvement coincided with reduced exports and a critical drain on reserves. This unfortunate incidence of the more favorable terms of trade was due to the fact that Britain's export prices had been maintained, reaching a postwar peak in the month before devaluation, while competitive export prices had reached a peak during 1948 and declined during 1949. To stop the loss of reserves which followed the decline in both total exports and in exports to hard-currency areas, it was necessary, among other things, rapidly to bring Britain's price movements into line with those of her international competitors. Devaluation of the currency performed precisely this function.

The relationship between a country's import and export price indexes, i.e. the terms of trade, is the conventional measure of the changes in the volume of goods which a country must export in order to pay for imports. When the ratio of import prices to export prices declines, the quantity of goods required to pay for a given volume of imports is reduced. Hence, a decline in this ratio is considered a favorable development; conversely, a relative rise in import prices has an unfavorable effect on a country's external position.

The adverse movement of the terms of trade of the United Kingdom was especially noteworthy because, on a 1938 base, Britain's terms of trade deteriorated sharply in 1947 while those of most Continental European countries actually improved. 1/ As a result, some observers considered that adverse price movements were placing upon Britain's external position a substantial and special burden. An earlier note in this Review pointed out that the appropriate emphasis to be placed on this factor was less than would appear from computations which used the price indexes with 1938 as a base, since the relation between import and export prices was unusually favorable to the United Kingdom in that year. 2/ Further, overvalued Continental exchange rates, mainly responsible for their more favorable relative terms of trade, were strong deterrents to an expansion of hard currency exports, and this drag on dollar sales was a major cost of the more favorable terms of trade.

Illustrative of the emphasis placed on the terms-of-trade factor in official circles is the statement of Douglas Jay, Economic Secretary to the Treasury, in Parliament on July 6, 1948, in which he maintained that "The movement of the terms of trade against Western Europe is the main economic problem of

1/ Economic Survey of Europe in 1948, ECE, p. 60.
2/ See this Review, September 21, 1948, p. 11.

Western Europe today" and that the burden on Britain attributable to the shifts in the terms of trade was "comparable to what we may receive under ERP." 1/ As late as September 29, 1949, Health Minister Bevan stated in Parliament: "Taking the whole of 1948, if we had enjoyed the same terms of trade as the Conservative Government enjoyed in 1937, we would have had an overall surplus." 2/

Given this emphasis upon the adverse effects of rising world prices on Britain's external deficit, therefore, it is not without irony that Britain's terms of trade improved materially after April 1949, as shown in Table I, and by August, the last pre-devaluation month, had become more favorable than at any time since September 1947. That improved terms of trade coincided with an increase in Britain's external deficit and with a critical drain on dollar reserves 3/ provides a practical example of how dangerous it is to use the terms-of-trade concept as an analytical tool without appropriate qualification.

Table I

U. K.: Post-war import and export prices and terms of trade

	1947=100		
	Import Prices (1)	Export Prices (2)	Terms of Trade (1):(2)
1946:			
January	81	82	98
June	83	86	96
December	89	92	97
1947:			
March	93	96	97
June	99	100	99
September	102	104	98
December	105	106	99
1948:			
March	109	108	101
June	115	109	106
September	115	112	103
December	117	113	104
1949:			
March	118	112	105
April	118	112	105
May	117	113	104
June	115	113	102
July	113	113	100
August	112	114	98

Source: U. K. Monthly Digest of Statistics. The separate annual data have been linked to form a continuous statistical series.

1/ Hansard, July 6, 1948, column 223.
2/ Quoted in Financial Times, Sept. 30, 1949, p. 6.
3/ Although this note concentrates upon British price trends, there were obviously other, perhaps more, important factors immediately responsible for the recent drain on reserves.

The recent terms-of-trade improvement was due to a decline in import prices while export prices were maintained. The value of British exports also declined during this period. Exports in the first quarter of 1949 reached an all-time record of £475 million; in the April-June period, they declined by £27 million to £448 million, and dropped a further £15 million to £433 million in the third quarter.

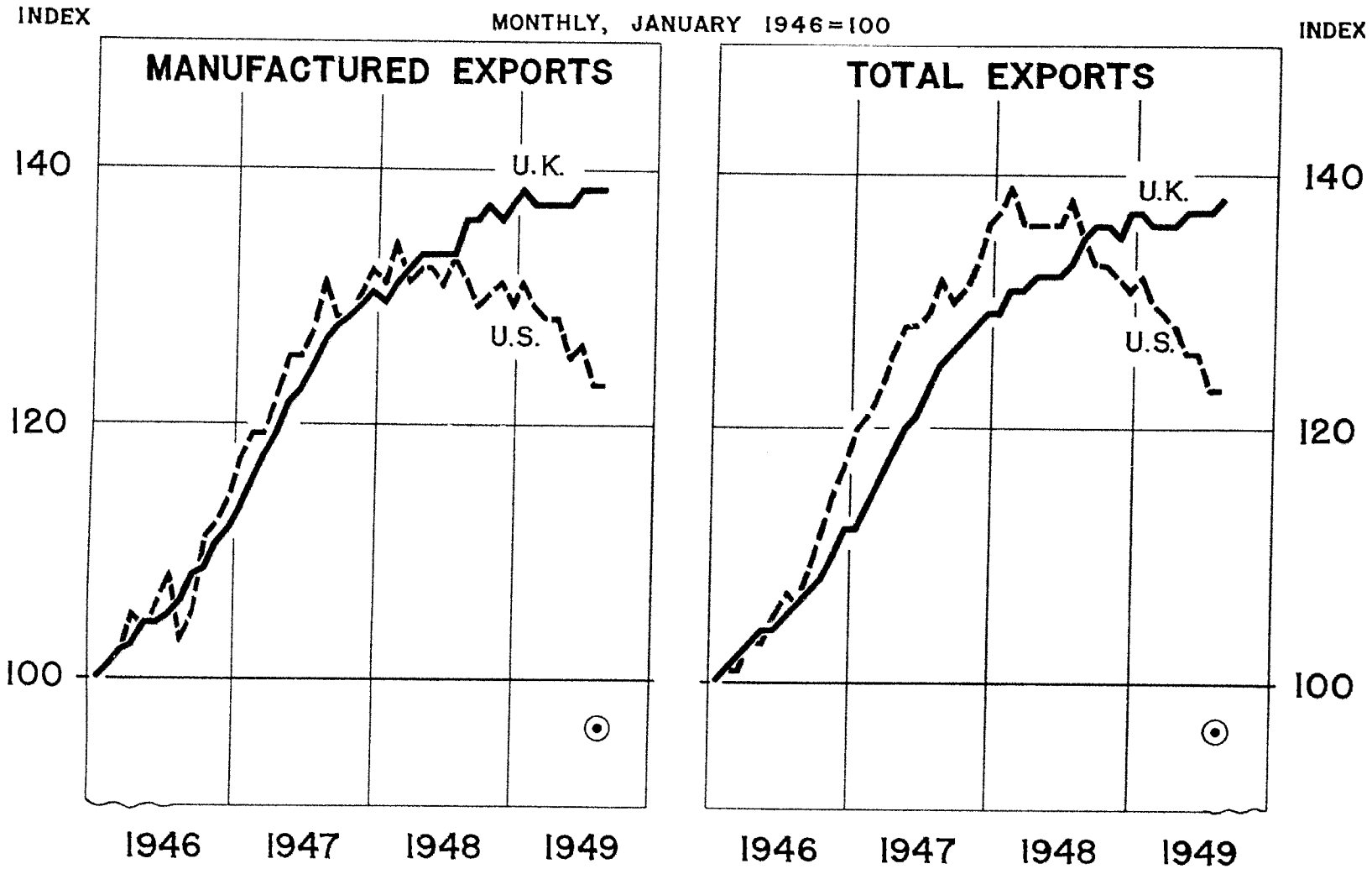
The fact that the terms-of-trade improved during a period when total exports declined is not mere coincidence. Even though the price factor can be overemphasized, particularly in a situation characterised by dollar shortages and general exchange controls, the fact that Britain's export prices continued to rise in the face of declining prices in countries exporting competitive finished goods remains significant. The comparison between the price indexes for manufactured exports of the United States and the United Kingdom shown in Chart I indicates the extent to which Britain's manufactured goods prices were diverging from American price trends. The American index for finished manufactures reached a postwar peak in February 1948, declined gently during the remainder of 1948 and more sharply after April 1949. In June 1949, for example, the United States index had declined by nearly 6 per cent below the February 1948 peak while Britain's index had risen by almost an equivalent percentage. Use of the total export indexes for these two countries bring out a similar divergence in trend after August 1948.

Thus, Britain's improved terms of trade were obtained at the heavy price of a significant decline in export value. The improved terms of trade proved disastrous because Britain's prices were diverging from price trends elsewhere. Had there been a world-wide readjustment of the relative prices of finished goods to those of food and raw materials, the expected benefits might have materialized.

How can one explain the divergence of British export prices from the general trend of prices? Wages and imported raw products are two major costs affecting export prices. The divergence in export price trends was not due to differing trends in money-wages, but to diverging import price developments and to an internal readjustment which occurred in the United States and not in the United Kingdom. Money-wage rigidity and labor immobility, attributable to Britain's full-employment situation and to the buoyant internal demand associated with a high level of investment, government expenditure and the continuing internal inflation, maintained money-wage costs. On the other hand, an analysis of the trend in Britain's import prices reveals the fact that the index has for some time diverged from price trends elsewhere. As a consequence, Britain was not able to benefit as early as other countries from price declines which began to appear in the latter part of 1948.

Throughout 1947 and 1948, Britain was paying prices for raw materials and food substantially below those prevailing in other markets and for other

COMPARISON OF EXPORT PRICES IN THE UNITED STATES AND UNITED KINGDOM



Note: For illustrative purposes, the circled dot represents the United Kingdom indexes for August reduced to the full extent of the 30.5 per cent devaluation which occurred on September 18. It must of course be kept in mind that dollar prices of British goods will not fall to this extent and that there was some overvaluation of the pound as against the dollar in January 1946, which serves as base for the chart.

purchasers. To measure this development, the ECE compared the changes in actual British import prices with U. S. prices for an identical composition of imports. This computation revealed, as shown in Table II, that Britain's imports of food in 1947 would have cost nearly 23 per cent more had prevailing American prices been paid. Similarly, the cost of raw materials would have been about 17 per cent greater. The gap between actual prices and American prices widened slightly in the first half of 1948 but narrowed significantly in the last 6 months of that year. Even then, Britain's imports would have cost about 11 per cent more in the latter half of 1948. Perhaps as important for our immediate purpose is the fact that the two indexes moved in opposite directions between the first and second halves of 1948: the index of actual prices rose from 236 to 241 while the computed index using American prices declined from 268 to 264. 1/

Table II

British import prices compared to U. S. prices
for an identical composition of imports
(1938=100)

	Food	Raw materials	Mfgd. goods	Total imports
1947:				
Actual prices	212	235	208	214
U. S. prices	260	276	180	245
Difference	-48	-41	+28	-31
1948 (Jan. to June):				
Actual prices	231	267	229	236
U. S. prices	289	295	198	268
Difference	-58	-28	+31	-32
1948 (July to Dec.):				
Actual prices	235	277	227	241
U. S. prices	276	300	204	264
Difference	-41	-23	+23	-23

1/ It should be noted that the other E.R.P. countries were not obtaining imports at prices substantially below those of the U. S. In 1947, the index of Europe's overseas imports was 217 compared with 224 at U. S. prices. In 1948, Europe's import index stood at 244 compared with 246 computed at U. S. prices. While the deterioration of the U.K.'s terms of trade was allayed through purchases of low-priced imports, the relatively more favorable terms of trade of the continental countries were due to the high prices of their exports. Economic Survey of Europe in 1948, p. 61 and 62.

The use of bulk-purchase contracts and long-term purchase commitments to procure over half British imports easily explains the relatively low level of British import prices during 1947 and 1948. This gap, in turn, is responsible for the continued rise in Britain's import prices after prices elsewhere had begun to stabilize around mid-1948. For Britain found it necessary to yield to pressure from Empire and other suppliers for higher prices - that is, to narrow the gap between the prices the British were paying and prices paid by other purchasers and in other markets. 1/ In commenting on this situation as of last fall, it was pointed out in this Review:

> The probability that such pressure is likely to continue for a time leads to the discouraging conclusion that Britain's import prices may be expected to continue upward even if American prices were stabilized. 2/

As we have already seen, this development actually materialized. The gap was narrowed during 1948 as British prices continued to rise and as American prices stabilized and began to drift downward by the end of the year. The extent of delay in the downturn in British import and export prices, as compared with American prices, is shown in detail in Table III. Although representative U. S. foreign-trade price indexes reached peaks sometime in 1948, mostly during the second or third quarters, peaks were not reached in corresponding British series until 1949. More important, the British indexes of all exports and of manufactured goods continued to climb until August 1949; the corresponding American price series had reached their peaks 17 months earlier in February 1948. By August 1949, in fact, the U. S. total export index had declined by 11.5 per cent and the manufactured goods index by 8.3 per cent below the post-war peak.

1/ In addition, insistent European buying in soft-currency markets, in part the result of revived industrial activity on the continent, tended to push prices upward in many sterling area countries during 1948. Detailed comparison for 8 commodities of Britain's import prices under bulk contracts with comparable U. S. prices is found in Table 67 of the E.C.E. report for 1948.

2/ Oct. 5, 1948, p. 5.

Table III

Comparison of selected post-war price trends

	Month of post-war peak	Per cent change as of:	
		June 1949	August 1949
1. Crude foodstuffs:			
a. U. S. import index	July 1948	-13.7	-10.8
b. U. S. export index	March 1948	-21.3	-26.2
c. U. K. import index	January 1949	-4.3	-6.9
2. Raw materials:			
a. U. S. import index	September 1948	-6.6	-10.4
b. U. S. export index	April 1948	-8.5	-22.9
c. U. K. import index	April 1949	-3.1	-6.2
3. Manufactures:			
a. U. S. import index	April 1948	-5.2	-5.8
b. U. S. export index	February 1948	-6.0	-8.3
c. U. K. import index	March 1949	-3.5	-6.1
d. U. K. export index	Jan. & June to Aug. 1949	0	0
4. Total indexes:			
a. U. S. import index	September 1948	-7.4	-9.6
b. U. S. export index	February 1948	-9.4	-11.5
c. U. K. import index	Jan.-Apr. 1949	-2.5	-5.1
d. U. K. export index	August 1949	+0.9	0

The delayed downturn in Britain's import price indexes was partly responsible for the failure of export prices to decline in the summer of 1949. The upward trend in costs of raw materials and food, together with the maintenance of money-wages at a high level, placed British exports in an unfavorable competitive position. It is for this reason that the more favorable terms of trade after April 1949 proved so disastrous.

In general, Britain's post-war difficulties were aggravated by unfavorable price movements during the period of post-war inflation as well as during the recent readjustment period. By importing food and raw materials and exporting finished goods, Britain must rely upon earnings from value added by manufacture to balance her international accounts. After the war, prices for finished goods rose much less than those for food or raw materials and, as a result, earnings from manufactures were reduced. Further, as the world's leading importer, the United Kingdom was particularly vulnerable to the conditions of scarcity and a seller's market in her major commodity imports and to the fact that

immediate availabilities were centered mainly in the dollar area. With an import deficit, even a uniform doubling of import and export prices would double Britain's external deficit; but the actual burden of the deficit was further increased when import costs rose more than export prices. The bulk-purchases and long-term commitments were in part designed to expand availabilities within the sterling area through an assured market and to minimize, so far as possible, the unfavorable consequences of more expensive food and raw material costs upon her external position. To a considerable extent, Britain was able to reduce the impact of high food and raw material prices during the period of rapidly rising world prices, but the rigidity involved in this purchase program placed Britain in an unfavorable competitive position when prices elsewhere began to decline.

In a period less disturbed than the years immediately following a major war, a price-stabilization policy which attempted to avoid extremes of inflation and deflation over an international cycle might prove less difficult. Even then, however, such a program would seem to require that the country accumulate ample reserves during the inflation phase to tide the economy over a transition period during which export prices could be brought into line with the more competitive deflation phase. This would appear to be especially necessary for an economy as sensitive to international developments as that of the United Kingdom. Had it been possible to accumulate a sufficient volume of reserves during 1947 and 1948, Britain's transitional difficulties during 1949 might have been less disastrous. To terminate the drain on reserves which did occur, it became necessary, among other things, to bring Britain's export prices into line with declining competitive prices. Devaluation of the pound performed precisely this function.

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WESTERN GERMANY'S FOREIGN TRADE

Gordon B. Grimwood

Direction of Trade

Comparative German trade statistics for 1936, 1948, and 1949 show that there is a definite tendency toward a return to the prewar pattern of trade although the deviations are still important, especially in the trade with the Western Hemisphere and with "Rest of Europe", i.e., with Eastern Europe. (See Table I, attached) Table A, below, shows in condensed form imports and exports by major trading areas as percentages of total imports and exports during these years.

Table A
Western German Foreign Trade
by Countries
Per cent of Total

	Imports				Exports			
	1936 1/	1948	1949/I 2/	1949/II 3/	1936 1/	1948	1949/I 2/	1949/II 3/
ERP countries	36.1	25.8	30.6	36.8	53.3	81.3	79.0	78.8
Rest of Europe	23.6	2.5	5.8	3.4	17.5	2.7	3.8	5.3
Africa	6.9	3.7	6.0	4.5	3.3	4.4	3.8	3.2
Asia	11.8	6.0	8.6	6.3	9.8	3.5	4.5	5.1
Western Hem.	20.0	58.1	44.3	44.4	15.1	7.2	8.0	6.0
West of World	1.6	3.9	4.7	4.6	1.0	.9	.9	1.6

1/ Includes all prewar Germany; 1948-1949 figures include Bizonal area.
2/ Annual rate based on Jan.-June figures.
3/ Annual rate based on July-August figures.

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Since the statistics for 1936 relate to prewar Germany and since no correction has been made in this table for changes in the price level, the table is not an accurate measure of the degree of distortion from the prewar pattern, but it indicates very clearly the direction of that distortion. Exports to other Western European countries have assumed more importance than before the war, while imports from the Western Hemisphere are much higher. As will be shown in a discussion of the composition of trade, these developments are largely attributable to the fact that trade with Eastern Europe has been no more than a trickle since the end of the war, a fact which forces Western Germany to seek other markets for manufactured articles and other sources for foodstuffs. Changes in the pattern of trade with other major trading areas of the world are relatively insignificant.

Table B

Western Germany's Foreign Trade

German Trade by Major Commodity Groups
in Current Prices and 1936 Constant Prices

I M P O R T S

	1936 All Germany	%	1936 Bizonal Area	%	1948 Bizonal Area Current Prices	%	1948 Bizonal Area 1936 Prices	%	1949/I 2/ Bizonal Area Current Prices	%	1949/II 1/ Bizonal Area Current Prices	%	1949 2/ Bizonal Area 1936 Prices	%
Foodstuffs	1,499.4	35.5	796.8	33.7	1,825.0	57.7	930.0	55.4	2,706.4	44.3	3,285.0	44.1	954.0	41.8
Raw material	1,571.1	37.3	967.2	40.9	731.5	23.1	441.0	26.3	1,802.0	29.6	1,917.6	25.7	697.4	30.5
Semi-Mfg.	750.0	17.8	416.4	17.6	452.2	14.3	189.3	11.3	921.1	15.1	1,072.8	14.4	293.1	12.8
Mfg.	397.4	9.4	185.0	7.8	155.1	4.9	118.4	7.0	672.0	11.0	1,176.0	15.8	340.2	14.9
Total	4,217.9	100.0	2,365.4	100.0	3,163.8	100.0	1,678.7	100.0	6,101.5	100.0	7,450.8	100.0	2,284.7	100.0

E X P O R T S

	1936 All Germany	%	1936 Bizonal Area	%	1948 Bizonal Area Current Prices	%	1948 Bizonal Area 1936 Prices	%	1949/I 2/ Bizonal Area Current Prices	%	1949/II 1/ Bizonal Area Current Prices	%	1949 2/ Bizonal Area 1936 Prices	%
Foodstuffs	87.6	1.8	57.6	2.1	48.6	2.7	20.4	3.0	81.0	2.3	28.2	.8	31.2	2.8
Raw Material	419.2	8.8	316.8	11.6	457.4	25.2	158.4	23.6	702.7	20.0	811.8	22.1	164.6	14.9
Semi-Mfg.	459.1	9.7	291.6	10.8	542.5	29.8	178.8	26.8	1,148.7	32.7	964.8	26.2	330.8	30.0
Mfg.	3,802.3	79.7	2,054.4	75.5	768.3	42.3	312.0	46.6	1,579.6	45.0	1,870.2	50.9	577.0	52.3
Total	4,768.2	100.0	2,720.4	100.0	1,816.9	100.0	669.6	100.0	3,512.0	100.0	3,675.0	100.0	1,103.6	100.0

1/ Annual rate based on July-August figures.
2/ Annual rate based on Jan.-June figures.

Composition of Trade

The detailed figures presented in Table II can be evaluated more easily through the use of the condensed Table B, preceding, expressing the same figures in percentages. The availability of statistics on a commodity basis estimated for the Bizonal area for 1936, 1948, and 1949 1/in terms of constant 1936 prices gives us a fairly accurate picture of the change of the commodity composition of German trade compared to prewar. Other figures are included for the sake of comparison.

In 1936 food imports into the Bizonal area, supposedly a food-deficient area, were smaller than such imports into all of Germany. This may be explained by the facts that food obtained by the Bizonal area from what is now the Soviet Zone of Germany did not enter into the statistics, and that Berlin, a large importer of food, was not included in the Bizonal area estimate of food imports. Similarly, raw materials assumed an important place in 1936 Bizonal imports because of the requirements of the Ruhr industrial center. Export figures indicate greater percentages of manufactures from all Germany than from the Bizonal area; this again is the result of the exclusion of Berlin from the Bizonal area's statistics. Raw materials and semi-manufactures have assumed a more important place in Bizonal exports in 1948 and 1949 because of the large exports of coal, timber, and coke during the past two years. It is apparent, however, that even at 1936 prices Western Germany's trade is returning to the prewar commodity pattern.

Considering Table II in conjunction with Table I, it becomes apparent that food imports from the Western Hemisphere have been substituted for such imports from Eastern Europe, and that exports of manufactured articles which formerly found a market in Eastern Europe are now going to Western Europe. This situation has created an export surplus estimated at $151.2 million with countries of Western Europe for 1949, and an import deficit with the Western Hemisphere estimated at $3,088.2 million. The total deficit on balance for 1949 is estimated at $3,775.8 million; the deficit with the Western Hemisphere amounts to 82 per cent of the total. Food and raw material imports from the Western Hemisphere have been financed largely by American aid, which amounted to $982.9 million in 1948. Although imports financed by foreign aid were scheduled to decrease sharply during 1949, they are estimated for that year, on the basis of figures for the first six months, at $938.2 million. Unless there is a shift in the direction of trade, such as increased food imports from Eastern Europe and increased exports to the dollar area, it seems extremely doubtful that Western Germany can achieve equilibrium in her dollar balance of payments by 1952.

Foreign Exchange Conversion Factor

Table III indicates the dollar conversion factors used for major items entering into German trade during 1948 and 1949. No attempt has been made to weight each item according to its importance in trade, but the major subdivisions (foodstuffs, raw materials, etc.) may be considered to be weighted by the most important items under each heading.

1/ Annual rate based on January - June figures.

The "conversion factor" (it has not yet been called a foreign exchange rate by the Allied authorities) is extremely important to Western Germany's trade because it is a direct measure of Western Germany's ability to compete in the world markets. The 30-cent conversion factor, which was in use until the recent devaluation, was adopted for German exports and commercial imports at the time of the currency reform in June 1948; the same rate became applicable for GARIOA 1/and ECA-financed food imports in May 1949. Export contracts entered into before June 1948 were allowed to be carried out at conversion rates specified in the contracts, most of which were below the 30-cent level. A study of the conversion factors for various items exported from Germany in 1948 reveals that a high conversion rate (around 40 cents for coal and coke) obtained for commodities for which there was a strong international demand. Other industries, a majority of which produced semi-manufactured and manufactured goods, sold their products during 1948 at rates ranging from 20 cents to 29 cents. Export conversion factors for 1949, with the significant exceptions of the textile industries, are ranging close to the 30-cent rate.

Food imports were subsidized prior to May 1949 by conversion of their dollar value into Deutschmarks at a rate higher than the 30-cent rate. No data are available for computing the conversion factor for imports in 1948, but the average rate of conversion for the first six months of 1949 was 33 cents.

Because of the decision of the Allied authorities in May 1949 to apply the 30-cent conversion rate to foreign aid-financed imports, the average conversion rate for foodstuffs was dropped to 30 cents during July and August.

It is difficult to assess the effect of the recent devaluation upon Western Germany's foreign trade. On the export side, Western Germany's competitive situation at first glance appears to have improved in relation to the United States and Belgium, remained about the same in relation to France, and deteriorated in relation to the United Kingdom. The actual consequences of the devaluation, however, will largely depend upon how the various countries are able to handle the domestic repercussions upon cost and price levels. If Western Germany can adjust its economy to the new conditions on the world market without a substantial rise in domestic prices and wages it may be able to offset the 10 per cent differential resulting from the larger sterling devaluation, and thus maintain its export markets.

Western German exports to Eastern Europe probably will not be significantly affected by the new exchange rates. Diminished exports to the sterling area may be offset to some extent by increased exports to the dollar area, particularly with reference to South American markets. Such a shift will not be large, however, since the demand patterns for imports in the dollar area and the sterling area are very different.

1/ Government and Relief in Occupied Areas.

On the import side, devaluation will make goods from Europe and the sterling area more attractive, and goods from the United States and the dollar area in general less attractive to German importers. These changes will aid Western Germany in its efforts to return to a more normal pattern of imports, reducing its export surplus to the other OEEC nations as well as its import surplus from the United States.

German commentators have been less critical of the devaluation as such than of the Allied High Commission's order to equalize domestic and export prices which was issued in connection with the approval of the new exchange rate. This order will cut down exchange proceeds from coal exports, and at the same time raise costs in Western Germany's most important export industries, the steel, machinery, and chemical industries. This danger will be minimized, however, if the principle of non-discrimination is extended to Germany's competitors; this would enable Germany to get more cheaply several important raw materials, such as French iron ore.

On the whole, the repercussions of devaluation may render Western Germany's task of achieving viability somewhat easier in the long run, but more difficult in the short run. There will almost certainly be some export industries which will lose their comparative advantage under the new conditions and which will have to be replaced by others to be built up on the basis of a new pattern of international trade. The relative freedom of controls enjoyed by the Western German economy may provide the flexibility necessary to effect such a transition; but it will require a high degree of managerial ability to make the changes without at least a temporary loss of exports, which would mean rising unemployment and idleness of productive facilities.

Western Germany's Foreign Trade by Country
(Millions of RM/GM)

Country	1936 (1) Imports	1936 (1) Exports	1948 (3) Imports	1948 (3) Exports	1949-I (6) Imports	1949-I (6) Exports	1949-II (7) Imports	1949-II (7) Exports
Belg.-Lux.	138.6	211.5	80.2	262.9	309.2	415.8	834.6	349.2
Denmark	154.3	182.3	46.8	53.2	108.6	64.0	114.6	33.6
France	98.9	254.4	46.5 (4)	234.7 (4)	121.2 (4)	594.0 (4)	144.6	617.4
Greece	68.4	63.5	6.9	12.4	31.2	48.6	25.2	53.4
Great Britain	270.3	409.4	155.1	256.2	156.8	370.6	192.6	312.6
Ireland	8.2	13.6	2.0	1.1	3.8	4.2	1.2	9.6
Iceland	5.6	4.6	36.0	.4	28.2	1.0	61.8	3.6
Italy	208.5 (2)	240.6 (2)	67.6	68.9	313.8	168.2	312.0	230.4
Netherlands	168.5	395.5	121.6	224.4	203.4	370.4	285.6	381.6
Norway	87.9	91.3	64.2	26.7	128.8	71.2	60.6	51.6
Austria	76.6	108.5	31.7	121.1	43.6	206.6	39.6	228.6
Portugal	21.7	29.8	6.6	3.0	18.2	5.8	10.2	5.4
Sweden	191.7	230.4	93.9	75.0	213.4	205.8	423.0	338.4
Switzerland	106.2	225.5	31.4	127.9	132.6	202.2	194.4	220.2
Turkey	118.5	79.4	26.6	9.0	57.2	39.8	42.0	57.6
Total ERP	1,523.9	2,540.4	817.1	1,476.9	1,870.0	2,768.2	2,742.0	2,893.2
Rest of Europe	997.6	832.5	78.7	49.4	356.0	130.8	253.8	193.8
Total Europe	2,521.5	3,372.9	895.8	1,526.3	2,226.0	2,899.0	2,995.8	3,087.0
Egypt	37.1	43.0	17.4	5.1	57.8	4.6	38.4	10.8
Union of S. Af.	39.5	56.5	37.8	17.9	91.6	24.6	63.0	21.6
Rest of Africa	213.9	57.3	62.9	57.5	211.4	100.4	237.0	87.0
Total Africa	290.5	156.8	118.1	80.5	360.8	129.6	338.4	119.4
China	113.5	132.5	10.9	2.4	24.2	2.0	27.6	.6
Iran	23.0	30.4	5.9	7.6	21.8	25.0	9.0	13.2
Japan	23.7	74.9	19.9	.2	2.2	8.0	2.4	30.6
India	142.1	121.6	32.3 (5)	16.3 (5)	121.8 (5)	38.2 (5)	106.8	66.0
Neth. Indies	112.9	38.6	13.9	3.4	74.8	22.2	50.4	31.2
Rest of Asia	82.3	71.6	106.2	33.0	282.4	59.0	270.6	44.4
Total Asia	497.5	469.6	189.1	62.9	527.2	154.4	466.8	186.0

Table I, (Cont'd.)

Country	1936 (1) Imports	1936 (1) Exports	1948 (3) Imports	1948 (3) Exports	1949-I (6) Imports	1949-I (6) Exports	1949-II (7) Imports	1949-II (7) Exports
U.S.A.	232.2	172.0	1,573.7	101.8	2,252.8	167.6	2,667.6	104.4
Canada	18.8	35.1	39.9	4.2	73.8	20.6	79.8	10.2
Argentina	118.5	97.7	71.9	4.1	129.8	6.0	92.4	1.2
Brazil	131.4	133.4	45.5	5.5	84.8	25.2	115.8	40.2
Chile	58.8	49.4	3.6	.4	11.8	1.8	20.4	5.4
Colombia	41.5	45.3	.9	1.8	3.8	10.0	1.6	4.8
Mexico	56.4	51.1	8.0	2.5	14.2	6.4	45.6	6.0
Peru	34.0	29.0	1.9	.3	4.4	2.8	11.4	4.2
Rest of W. Hem.	147.8	109.5	92.?	9.5	124.8	32.6	275.6	45.6
Total W. Hem.	839.4	722.5	1,838.3	130.1	2,700.2	273.0	3,310.2	222.0
Australia	42.7	34.7	43.4	9.2	79.4	22.2	109.2	33.0
Rest of World	26.3	11.7	79.1	7.9	207.8	5.0	229.8	25.8
GRAND TOTAL	4,217.9	4,768.2	3,163.8	1,816.9	6,101.4	3,512.0	7,450.8	3,675.0

(1) Listed at 1936 prices in millions of R.M. Includes all Germany.

(2) Including colonies.

(3) Listed in millions of R.M. to 20 June 1948; G.M. after that date. Includes Bizonal area.

(4) Includes Saar.

(5) Includes India and Pakistan

(6) Annual rate based on 6-month figures for January - June. Includes Bizonal area.

(7) Annual rate based on July-August figures.

Sources for all tables: Wirtschaft und Statistik, August 1949; Monatliche Aussenhandelstatistik, January-June, July, August 1949; Statistical Annex, Report of the Military Governor No. 49, July 1949.

Table II

Western German Foreign Trade by Commodities

(Millions of RM/GM)

Commodities	1936 1/ Imports	1936 1/ Exports	1948 2/ Imports	1948 2/ Exports	1949/I 3/ Imports	1949/I 3/ Exports	1949/II 4/ Imports	1949/II 4/ Exports
Foodstuffs	1,499.4	96.3	1,825.0	48.6	2,706.4	81.0	3,285.0	28.2
Raw Materials								
Silk & rayon	26.0	2.5			1.8			
Cotton	257.7	8.8	196.1	.2	456.8	15.2	313.2	.6
Wool	229.4	6.8	110.4	15.0	321.6	15.2	357.0	14.4
Timber	49.7		1.1		27.4		22.8	
Coal	70.7	267.7	48.3	374.0	91.2	653.8	105.6	755.4
Chemicals	12.3	.5	26.4	1.6	33.2	1.4	53.4	1.2
Semi-Mfg.								
Silk & rayon cloth	32.4	35.9	12.1	12.1	39.4	16.6	75.0	22.2
Cotton cloth	45.2	23.2	2.9	9.2	27.2	7.0	98.4	2.4
Woolen cloth	27.7	45.7	.3	10.0	7.2	8.0	47.4	11.4
Timber prod.	156.8	3.4	7.6	60.5	23.8	127.4	31.8	8.4
Scrap iron			.2	46.8	.4	203.4		140.4
Coke	11.4	93.1	1.4	333.9	2.8	590.4	2.4	496.2
Chemicals	32.7	82.2	59.5	18.6	74.6	33.6	69.0	33.0
Manufactures								
Silk&rayon prod.	5.5	100.5	2.1	20.4	13.0	32.8	16.2	23.4
Cotton prod.	24.9	92.4	9.6	213.9	33.4	277.6	79.8	231.0
Woolen prod.	18.0	80.5	1.2	5.7	23.4	13.4	54.6	9.0
Wood. prod.	14.5	29.3	1.0	1.3	3.0	2.4	6.6	3.0
Chemicals	56.9	564.8	65.6	90.9	119.0	182.2	136.8	198.0
Iron & steel prod.	70.6	851.4	11.1	127.5	41.0	424.0	51.0	595.8
Machinery	60.8	955.2	16.3	192.3	251.6	502.8	667.2	612.6
Other	1,515.4	1,428.0	765.6	234.4	1,803.2	339.0		
TOTALS	4,218.0	4,768.2	3,163.8	1,816.9	6,101.4	3,512.0	7,450.8	3,675.0

1/ All Germany, at 1936 prices.
2/ US/UK Zones only.
3/ Annual rate based on six-month period January - June.
4/ Annual rate based on two-month period July - August.

Table III

Conversion Factors in Western German Foreign Trade
(Cents per German mark)

	Imports			Exports		
Commodity	1948	1949/I 1/	1949/II 2/	1948	1949/I 1/	1949/II 2/
Foodstuffs (average)	N.A	33	30	24	28	29
Raw materials (average)	N.A.	30.5	30	40	30	30
Silk & rayon		30				
Cotton		29	30	28	23	
Wool		30	30	27.5	29.5	30
Timber		30	30	39	31	
Coal		35	30	41	30	30
Chemicals		30	30	29	28	29
Semi-Mfg. (avg.)	N.A.	30	30	35	29	30
Silk & rayon		30	30	24	26	30
Cotton		30	30	25	23.5	30
Wool		30	30	29	30	
Timber		30	30	20	19	24
Scrap iron		31	30	30	30	30
Coke		34	29.5	40	30	30
Chemicals		38	30	32	30	30
Mfgs. (average)	N.A.	30	30	27	27	28
Silk & rayon		30	30	23	25	26.5
Cotton		30	30	22	21	24
Wool		30	30	29	28	29.5
Wooden prod.		30	30	25	27	27.5
Chemicals		31	30	26	30	30
Iron & steel products		31	30	31	29.5	30
Machinery		30	30	28	28	28.5

1/ Annual rate, based on January - June figures.

2/ Annual rate, based on July - August figures.