PART I

GENERAL SURVEY
CHAPTER I

SOME FACTS AND FIGURES

In each year from 1953 to 1959 the share of the United Kingdom in
the world market in manufactures was smaller than in the preceding
year, and in 1958 the United Kingdom surrendered to western Germany
her position as the world's second largest exporter of manufactures.
These facts are brought out in Table 1.1, which gives a bird's-eye view
of the export performance of leading manufacturing countries in recent
years.

Comparison with the pre-war pattern of trade in manufactures is
difficult to make. Not only were many countries' trade statistics dis-
continuous between 1938 and 1953, but the percentage share of world
trade shown for Germany for 1938 was for the whole of the Reich,
whereas for the post-war period the percentage shares relate only to
the Federal Republic. Nevertheless the Table suggests that by the
middle of the nineteen-fifties the industries of western Germany had
more than regained the share in world trade they held in 1938. The
exports of the present Federal Republic area accounted for about two-
thirds of the share of the exports of manufactures from the whole of
pre-war Germany; this implies that in 1938 the share of the present
Federal Republic would have been between 15% and 16% of world
trade in manufactures—a share which the Federal Republic regained
as long ago as 1955.

After 1953, the gains of western Germany, a number of other
European countries, and Japan, were largely at the expense not only of
the United Kingdom but of the U.S.A. With the exception of
1956 the decline in the United States share was continuous during
nineteen-fifties. Indeed, as Table 1.1 shows, the overall decline in the
U.S.A. share between 1953 and 1959 was actually greater than in the
case of the United Kingdom—and this in spite of the progress made in
dollar trade liberalisation in so many countries after 1953. It has been
pointed out that during the nineteen-fifties the geographical—but not
the commodity—pattern of United States export trade in manufactures
was unfavourable. A part of the decline in the United States share can
be attributed to relatively unfavourable movements in the cost structure
of American industry; part, too, can be explained by the rapid expan-
sion in Europe and other countries of capacity to produce goods which
in 1953 and 1954 could readily be purchased only from the U.S.A.
The rapid growth in Europe of output of the kind of goods which in
early post-war years were perfixed purchased (even at high prices)

1 On the subject of the decline of the U.S.A. share in world trade in manufactures between
1953 and 1959 see Sir Donald MacDougall, 'The Dollar Problem: A Reappraisal', Princeton
from the United States offset the effects of dollar trade liberalisation. This is especially true of capital equipment, and in the machinery and transport equipment sector (S.I.T.C. Section 7), where the U.S.A. share in world trade fell particularly steeply—by 13·2 percentage points, from 35·8% of world trade in 1953 to 22·6% in 1959.

To a considerable extent the United Kingdom suffered from the same difficulty as the U.S. in this respect. The sheer capacity of Europe to supply overseas markets was much less in 1953 than in 1959 and the U.K. was able to take full advantage of this—especially in the Sterling Commonwealth countries where social and economic ties gave British exporters a marked advantage over their trade rivals. On the other hand, one must not exaggerate the strength of this argument. It is true that in the early nineteen-fifties the expansion of German exports at the expense of those of the U.S.A. and the United Kingdom could be looked upon as in some measure the inevitable result of the return of defeated ex-enemy countries to markets where they had been well established before the war. Writing in 1957, Sir Donald MacDougall suggested that ‘Britain’s steadily declining share in the world export market for manufactures between 1950 and 1956 may be largely a temporary phenomenon reflecting, among other things, the delayed recovery from the war of Germany and Japan’.1 While this explanation might have been acceptable for the period 1951 to 1953, or even 1955, it becomes less and less convincing as the years pass. It is extremely doubtful whether much of the rise in the West German share in world trade between 1957 and 1959 can be explained along these lines. Looking at the figures in Table 1.1 one has grounds for thinking that much more fundamental influences have been at work.

Another interesting fact which emerges from Table 1.1 is the increase in the share of the world trade held from about 1957 onwards by a number of European exporting countries other than Germany. Although the share of France in the world trade in manufactures in the years immediately following 1955 fell quite substantially, her share recovered markedly between 1956 and 1959—from 7·8% to 9·2%, as compared with 6·5% in 1938. In the case of Italy the rise between 1956 and 1959 was from 3·6% to 4·5%. The share of the Netherlands also rose during these years, from 3·5% to 4·2%. All these exporting countries held larger shares in 1959 than in 1958. As regards Japan, her share of world trade in manufactures in 1959 had just passed her estimated 1938 share (6·6%), but as we shall see later, the kind of goods exported by Japan in 1959 were markedly different in type and quality from pre-war Japanese exports—more so than in the case of other manufacturing countries.

Before discussing the other Tables in this chapter, it is perhaps worth

1 D. MacDougall, The World Dollar Problem (London, 1957), p. 355. MacDougall goes on to suggest however (footnote 3, p. 355) that an additional reason for the decline in the U.K. share in manufactures was the fact that Britain’s wage costs per unit of output had in recent years risen more rapidly than those of her industrial rivals.
SOME FACTS AND FIGURES

looking at one question which always arises when overall export performance figures are being discussed—namely the extent to which the decline in the U.K. share of the world market can be explained by an adverse commodity or area pattern of U.K. trade. This would have been the case if during the period which we are reviewing the U.K. specialised in those manufactures, the value of world trade in which grew less rapidly than that for manufactures as a whole; alternatively, or perhaps additionally, the regional markets to which U.K. exports were orientated might have been those which expanded less rapidly than the world market taken as a whole. Both of these influences might have been at work together, if U.K. exports were heavily weighted in favour of, say, textiles, in which world trade was declining, and if the U.K. relied heavily upon those overseas import markets, e.g. Australia and the Union of South Africa, which were growing relatively slowly.

In order to examine this question a little more closely—and indeed to grasp the historical background to other U.K. export trends during our period—it is worth going back a half-century or so, to see how far developments in the nineteen-fifties may be regarded as conforming to a long-term pattern, and how far they exhibit characteristics which were peculiar to the circumstances of the decade.

EXPORTS: LONG-TERM TRENDS

1899 to 1950

As the result of a very detailed and laborious study carried out by the late Dr H. Tyszynski at Manchester University it is possible to obtain a fairly accurate picture of the changing pattern of world trade in manufactures over the last half-century and of the share in that trade held by the leading manufacturing countries.1 Some of the results of Tyszynski’s analysis are reproduced as Table 1.2. This Table shows that the United Kingdom share of world trade in manufactures fell from 32·5% in 1899 to 29·9% in 1913, 23·6% in 1929, and 22·4% in 1937. The 1950 share (25·5%) was higher than in 1929 or 1937, but this of course was in a great measure due to the partial elimination of Germany and Japan from world trade in the years immediately following the Second World War.

In Table 1.2 the major exporting countries are arranged in three groups—in the upper part of the Table those whose share of world trade rose more than one percentage point between 1899 and 1937, in the middle part, those whose shares were more or less the same at the beginning and at the end of the period, and in the lower part countries

1 It will be obvious from the following paragraphs that I owe a considerable debt to Tyszynski’s article ‘World Trade in Manufactured Commodities, 1899 to 1950’ in The Manchester School of Economic and Social Studies, September 1951. Also relevant to this section is Professor E. A. G. Robinson’s article ‘The Changing Structure of the British Economy’, Economic Journal (September 1954), and a paper by Professor W. Arthur Lewis, ‘International Competition in Manufactures’, American Economic Review, Papers and Procecdings (1957), p. 578.
whose shares decreased substantially. The United Kingdom and France are both found in this latter group. It will be seen that, perhaps rather surprisingly, the German share of world trade in manufactures did not rise very much in the first three or four decades of the century—indeed, according to Table 1.2, it was almost the same in 1937 as it was in 1899. The German share rose quite substantially up to 1913, probably at the expense of the U.K., but it fell back after the 1918 defeat and at the outbreak of the Second World War Germany held the same share as that of the United Kingdom.

The Table shows that few European countries increased their share of world trade in the first four decades of the century—countries which substantially expanded their shares were the United States, Japan and Canada. In 1899 the share of the U.S.A. in world trade was smaller than the share of France; by 1937 it was three times as great. Japan’s share rose steadily in the first quarter of the twentieth century, but it was only after the military adventures and the export drive of the nineteen-thirties that Japan outstripped most European industrial countries as a world exporter.

In view of the heavy dependence of the United Kingdom upon textiles and the relative decline in the importance of these products in world trade in the twentieth century, it might be thought that part of the decline in the U.K. share even before the Second World War was due to an adverse pattern of commodity trade. In fact, Tyszynski has shown that in the case of the United Kingdom (and indeed of Japan and France), the change in the position of the country as an exporter between 1899 and 1937 was due rather to ability or inability to compete within commodity groups than to the particular pattern of its commodity export trade. If the United Kingdom had retained its competitive position within each group of manufactures between 1899 and 1937, the U.K. share of world trade in manufactures as a whole in 1937 would have been 31·0%, a decline of only 1·5 percentage points. Accordingly, of the decline of 10·1 percentage points sustained by the U.K. between 1899 and 1937, less than one-sixth could be explained as being due to an unfavourable commodity pattern of exports. During this period the percentage share of the United Kingdom fell in textiles (which were declining in relative importance in world trade) but her share also fell heavily in iron and steel and industrial equipment, which were of course among the most rapidly expanding commodity sectors during the period.

By contrast, the commodity pattern of Japan’s trade was highly unfavourable up to (and after) the Second World War; her exports were heavily weighted by textiles and clothing. But in spite of this Japan secured a larger share of world trade in 1937 than she held at the beginning of the century, increasing her share both in declining and—more significantly—in expanding categories of exports.

Owing to war and its aftermath, great significance should not be attached to export trends in the period 1937 to 1950. Western Germany,
Japan and many of the occupied countries of Europe were in 1950 still at a relatively early stage of recovery from the war. Nevertheless, even in this period, the decline in the United Kingdom share appears to have been due to lack of competitiveness rather than to an adverse pattern of export trade. If (for this period) western Germany and Japan are eliminated as exporters of manufactures, Tyszynski showed the U.K. share would have fallen from 31.9% to 27.9% of ‘world’ trade, but of this only 0.1% was attributable to changes in the commodity structure of world trade. During this period France staged something of a recovery as an exporter of manufactures, her share rising from 9.1% in 1937 to 11.4% in 1950 (Germany and Japan again being excluded from both years). This improvement in the position of France was in spite of the adverse effect upon her share in world trade due to the commodity pattern of her exports.

In view of the foregoing it seems that up to 1950 the decline in the U.K. share of world trade was in general due to her inability to compete successfully within each commodity group rather than to her traditional specialisation in what were now the wrong commodities. As for the more recent period, in 1957 the Board of Trade published the results of an Inter-Departmental Working Party Survey on U.K. Export Trends.¹ This survey suggested that only about one-quarter of the decline in the U.K. share in world trade manufactures between 1951 and 1955 could be attributed to an unfavourable commodity/area pattern of trade. For this period changes in the area pattern were more significant than changes in the commodity pattern of British exports, that is to say, the U.K. lost more by exporting to the wrong places than by exporting the wrong goods. But in any case, the importance of both was fairly slight. During this period Germany was helped only slightly by a favourable commodity/area trade pattern. Most interesting of all is Japan which increased her share of world trade quite substantially, as in the first part of the century, although she was adversely affected by both area and commodity pattern of trade (especially the latter).

There is evidence that in the more recent past the ‘commodity and area’ explanation of the decline in the U.K. share of world trade has even less relevance than in earlier years.

**Commodity and Area Pattern, 1953–59**

*Area Pattern*

If we assume that in each of the main trading areas of the world the U.K. had in 1959 held her 1953 share, then the total value of U.K. exports of manufactures in 1959 would have been $9,637 million. If the U.K. share in the world market as a whole had been maintained, but not necessarily the U.K. share in each area the total value of U.K. exports of manufactures in 1959 would have been $10,406 million.

¹ ‘Trends in Exports of United Kingdom Compared with Other Countries’, *Board of Trade Journal* (30 March 1957).
manufactured exports would have been $9,661 million. In other words the United Kingdom lost only about $24 million of trade as the result of exporting to countries whose import markets grew less rapidly than the value of world trade as a whole. Incidentally it is interesting, and in one sense reassuring, to note than so much of British export effort in recent years has been directed to markets which were clearly expanding. Although British exports were still closely orientated to the Sterling Area market which in 1953 and 1959 took 50.4% and 43.1% respectively of U.K. exports of manufactures, Table 1.3 shows that the market of the United States was in 1959 one of the United Kingdom's most important outlets (in 1953 the U.S. accounted for 5.5% of U.K. exports and in 1959 for 10.5%). Between 1953 and 1959 the United States was one of the world's most rapidly growing import markets. Apart from the U.S.A., an obvious case where the U.K. took advantage of a rapidly growing market was western Germany; imports of manufactures into the Federal Republic from the eleven leading manufacturing countries more than trebled between 1953 and 1959.

As regards the commodity pattern of U.K. export trade, much the same conclusions apply.

If the United Kingdom had held its share of each of the broad commodity groupings, then total commodity exports in 1959 would have been $9,660.6m., that is only $611m. less than if the U.K. share in world trade in manufactures as a whole had been held. In fact the value of British manufactures exported in 1959 was only $7,864.6m.; by far the greater part of the short fall from $9,661m. was accordingly to be accounted for by the inability of the United Kingdom to hold its own within commodity groups.

Commodity Pattern

One of the most rapidly growing export groups from the leading manufacturing countries was machinery and transport equipment; between 1953 and 1959 the value of world trade in these products increased by 75% (as against 64% for manufactures as a whole). Table 1.4 shows that in 1953, 45.0% of the total value of all British manufactured exports consisted of these products. By 1959 the percentage had risen to 50.8. Chemicals in 1953 accounted for 8.5% of U.K. exports of manufactures; world trade in these commodities increased even more—88%—than was the case in engineering products. The share of textiles in U.K. exports of manufactures fell considerably after 1953 and by 1959 they were less important as a group to the U.K. than chemicals; in 1959 textiles accounted for only 8.8% of manufactured exports. Thus the fact that exports of textiles from the eleven leading manufacturing countries rose by only 15% between 1953 and 1959, as compared with an increase of 64% for manufactures as a whole, had less effect upon the overall share of the U.K. in world trade in manufactures than might have been the case in an earlier period. With textiles accounting for less than one-twelfth of total manufactures
of all kinds from the U.K. it was a far cry from the middle nineteenth century when they made up about two-thirds of total British exports.

From this discussion it should be clear that U.K. exports have secured a smaller share of world trade in the last fifty years or so largely because they have been becoming less competitive, either within commodity groups, or within particular country markets. Accordingly, to be fruitful, our analysis should try to ask the question why particular exports have failed in particular country markets. Much of the rest of the present chapter is taken up with providing the necessary data for this analysis.

THE CHANGING U.K. SHARE: BY AREA

Table 1.5 shows changes in the shares of area and selected country import markets in manufactures held by various exporting countries.

Western Europe

Table 1.5 shows a decline in the U.K. share in west European and Sterling Commonwealth import markets for manufactures. The United Kingdom share of the west European market fell from 18.7% in 1953 to 13.1% in 1959. The year 1959 was in no way an exceptionally bad one for U.K. exports to Continental western Europe; in fact the decline in the U.K. share of this market was fairly continuous from 1953 onwards. Within western Europe the United Kingdom did less badly in the European Economic Community as a whole than in other countries, but this was largely due to the United Kingdom sustaining only a small decrease in her share of the west German import market. The Federal Republic is easily the United Kingdom’s largest European market for manufactures; in 1959 the value of U.K. exports of manufactures to western Germany exceeded the value of exports to New Zealand. They reached just on U.S. $300m., about one-third of U.K. exports to the European Economic Community. Hence the relatively fair U.K. performance in western Germany (where the U.K. share dropped only a little over 1 percentage point, from 12.8% to 11.7%) helped to prevent the U.K. share in the E.E.C. import market from falling as much as it did in western Europe as a whole. The second largest U.K. market in western Europe was the Netherlands. Here U.K. performance was not so good—the share of the import market declining from 19.1% in 1953 to 12.7% in 1959. In 1959 France and Italy were roughly of equal importance to the U.K. as export outlets, but the U.K. share in France had fallen more steeply than in Italy.

If we look at the exporting countries which gained in western Germany and the rest of the E.E.C. we find that both Italy and France increased their share, the gain of Italy being especially marked in western Germany. The U.S. gained in no E.E.C. country except the Federal Republic (in the Community as a whole the U.S. share de-
and the gains of Japan were very small indeed. Broadly speaking the tendency was for the six Common Market countries to trade more closely with one another, but it should be noted that this trend goes back to 1953 and in some measure would have occurred whether or not the Common Market had been formed. Looking at the changes in market shares obtained by western Germany, Italy and France (Table 1.5), it is evident that with only one exception (the French share of the Netherlands market), each of these exporting countries increased its share of the import market of every other E.E.C. country.

The Sterling Area

The Non-O.E.E.C. Sterling Area in 1953 still accounted for 50% of U.K. exports of manufactures and in this very important trading area the U.K. failed to hold her position as an exporter, her share of the area import market for manufactures declining by over 14 percentage points between 1953 and 1959. The U.S. share in the Sterling Area did not rise much in spite of a considerable degree of dollar trade liberalisation. The Italian and French shares were very small and together increased only slightly; it was the rise in the German and Japanese shares which largely offset the U.K. decline. Between 1953 and 1959 the German and Japanese shares rose respectively by 5.5 and 6.9 percentage points, but whereas the German share in 1953 was already 6.9%, that of Japan was only 3.8% in that year.

Japan’s most substantial gains in the Sterling Area were in fact in British East Africa (+15.4 percentage points), Malaya (+13.6 percentage points), Nigeria (+10.5 percentage points) and Australia (+5.5 percentage points). In each of these cases the expansion of the Japanese share was in part due to the removal of restrictions on Japanese imports after 1953, but it would be wrong to regard the increase in the Japanese share as a once-for-all development which need not be repeated. Japan’s share of the Sterling Area market has in fact increased steadily even in the Union of South Africa where discrimination against Japan was abandoned as early as 1954.

The increase in the German share of the Sterling Area market has been more evenly spread as regards both country markets and commodities than that of Japan, although it has been especially dramatic in the case of India, which by 1959 was buying more than one-sixth of its manufactured imports from western Germany. The Federal Republic had by 1959 become next to the U.K. the major supplier of Pakistan, and in the case of the Union of South Africa, over 15% of imported manufactures were being obtained from western Germany. Whereas it is possible to explain some of Japan’s gains in Commonwealth countries—especially in Australia—by the easing of discrimination, this is likely to be less true of imports from western Germany, whose exports have been treated on equal terms with those of the U.K. since well before 1953.
Latin America

In Latin America the United Kingdom actually increased her share of the import market between 1953 and 1959, from 7.6% to 8.2%. Indeed western Germany did no better than the U.K. in this market, and not as well as Japan, whose share rose from 1.2% to 4.5%, or Italy whose share rose from 2.4% to 4.9%. The U.S.A. lost over 6 percentage points of its share of the Latin American market, but in 1959 it still held just on 56% of the import market. As regards individual country markets in Latin America, the pattern of U.K. performance was a varied one. In Argentina, for example, which was the United Kingdom’s largest market, the U.K. share between 1953 and 1959 rose by 6.4 percentage points. The German share of this market fell between these years. The U.K. sustained losses in the two other Latin American markets in which her share in 1953 was over 10% (in Peru and Venezuela). The United States too lost heavily in these markets, where both Germany and Japan made substantial gains.

The general pattern, then, is of the U.K. losing to western Germany in most (but not all) country markets; to Japan in sterling markets, and to France and Italy in western Europe.

The Changing U.K. Share: by Commodity Groups

As well as looking at changes in the share held by the U.K. in various commodity groups we shall in this section pay some attention to the absolute share of a given market held by the U.K. After all, although the U.K. share of world trade in textiles fell from 27.2% in 1953 to 18.0% in 1959, while the share of the U.K. in glass and glassware fell by only 1.3 percentage points over the same period, the British share of the world market in textiles was still 18.0% in 1959, as compared with 12.3% held by the glass industry. It would accordingly be misleading to infer that the greater fall in terms of percentage points of the textile industry of itself shows that the export performance of the latter industry was inferior to that of the glass industry.

In the remainder of this chapter we shall take, as it were, a bird’s-eye view of the export performance of some more important British industries in the world market as a whole; in the following chapter we shall analyse their performance in particular country markets in a little more detail.

Textiles

While the U.K. share of the world market in textiles fell steeply between 1953 and 1959, the share of western Germany rose—but only slightly—from 6.5% to 8.9% of the world market (Table 1.6). The Italian share rose from 8.3% to 9.4%, while the share of the United States fell from 14.2% to 11.6%. A substantial increase in the share of world trade in textiles took place in the case of Japan, whose share rose...