PRESS RELEASE

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WHERE WE GO FROM HERE

by

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International trade has played an important, thought not often mentioned, role in the recent upswing and the present downswing of our economy. It is true that our merchandise exports are equal to less than 5 per cent of our gross national product; but they account for 10 per cent of our farm income, for about one-half of our cotton and one-fourth of our wheat production, and for one-eighth of total sales of non-electrical machinery, to name only a few of the industries which rely heavily on production for foreign markets.

In the four-year period between 1953 and 1957, world trade expanded by one-third, exceeding $100 billion last year. In this period our own exports rose by 60 per cent, or $7 billion; in percentage terms, this expansion was three times as fast as the rise in our gross national product. In particular, our exports of metals and metal products advanced by 133 per cent, and those of machinery and equipment by 50 per cent; coal exports nearly tripled, and agricultural exports increased by 60 per cent.

Our imports, after declining during the 1953-54 recession, advanced sharply until the beginning of 1956 and then more slowly until the end of 1957; the increase between 1953 and 1957 was nearly 20 per cent, or $2 billion, a percentage rise about equal to that of our gross national product.

In 1957, the investment boom leveled out in most industrial countries. Inventory policies were reviewed and purchases for inventory curbed. In the United Kingdom and Continental Europe, economic activity has remained high, but a recession appeared first in Canada and then in the United States. Less developed countries, which generally rely on the exportation of primary products, suffered a decline in value of their shipments of industrial materials, especially of non-ferrous metals.

At the same time, a number of major countries that had suffered from inflationary pressures and therefore had let their imports rise to nonsustainable levels, took actions to restore financial stability.

The curbing of foreign imports resulting from these events and policies had a marked effect on our exports. From a peak annual rate of $20 billion, reached in the first quarter of 1957, our exports declined, first gradually and then more rapidly, to an annual rate of $15-1/2 billion in February 1958. Most of the decline has taken place since last summer; in this period our gross national product dropped by an estimated rate of about $16 billion. The drop in exports accounted for more than one-fifth of the total, and its influence was comparable to that of the declines in domestic inventories and in domestic expenditures for capital equipment and business construction.

Our imports did not start to fall until the early months of 1958; moreover, the decline amounted to an annual rate of only $1 billion, and about one-half of this amount related to special conditions affecting coffee imports. Unless our business conditions improve, however, our imports are unlikely to be maintained much longer at present levels.

This review of recent developments in our foreign trade shows that, up until the middle of last year, foreign developments added to inflationary pressures in this country by causing heavy foreign demands for our goods at a time when domestic demands were already strong. Conversely, the decline in foreign demand has contributed materially to the weakening of total demand in this country since the third quarter of 1957.

Economic conditions here and abroad indicate moderate further declines in both exports and imports during the current year. The longer-term outlook, however, is for a considerable expansion of our foreign trade. Our dependence on imported raw materials is expected to increase, and population growth and expanding consumer incomes should assure higher demands for imported foodstuffs and manufactured products. At the same time, further economic development of the rest of the free world, which in recent years progressed even faster than the United States, is bound continually to raise foreign demands for our foodstuffs, industrial materials, machinery and equipment, and finished consumer goods.