

II TRENDS AND PATTERNS OF TRADE OF ASIAN COMMONWEALTH COUNTRIES

A study of the trends and patterns of trade of the Asian Commonwealth countries (ACCs) provides an indication of the dependence of these countries on various markets, including the UK, as well as of the degree of diversification of their exports. It should also provide some evidence on the structure of production and hence the stage of development of these countries.

(a) India

Table I shows the direction of Indian exports and imports for selected years. On the export side, the most notable development is a substantial fall in the share of the UK, from 23% in 1963 to 12% in 1970, and a doubling of the share of Japan and USSR. The share of the EEC has remained constant over the period while that of the US declined in 1970. As a result of this, the UK, Japan and the USSR constituted markets of equal importance for Indian exports – about 14% – in 1970. The enlarged EEC will become the largest market for India, accounting for roughly 20% of her exports.

On the import side, the US is by far the most important trading partner, though its share has declined considerably since 1966-68. The UK share has fallen steadily from over 15% in 1963 to less than 7% in 1970. The share of Canada and USSR has risen sharply over the period.

Table II indicates the principal export products from India and the changes therein over the past decade. In comparison with most other developing countries, an interesting feature of Indian exports is their relative diversification: even in 1960/61, the three most important exports constituted less than half of the total export earnings. There has been a significant further diversification of exports in the sixties. The relative importance of the three leading traditional exports – jute manufactures, tea, cotton fabrics – has fallen from 48% to 27% over the period 1960/61 to 1970/71. A number of non-traditional exports such as iron ore, iron and steel, and engineering goods have become major earners of foreign exchange; while products like chemical and allied goods, fish and fish preparations, leather and leather manufactures, coffee, sugar and oil lacs, have also increased their share of total export earnings.

India's main exports to the UK and the EEC are shown in Table III. The major exports to the UK are tea, tobacco, oil cakes, leather hides and skins, cotton piece goods and jute products. The relative importance of several of these products – tea, piece goods, jute and bags – has fallen considerably over the period. The main exports to the EEC comprise precious and semi-precious stones and jewellery, tea, iron ore and concentrates, cotton piece goods, leather products and hides

and skins and jute cloth. Among the products whose exports have fallen sharply are coffee, oil cakes, manganese ore, coir yarn and jute bags.

(b) Bangladesh

Prior to independence, the foreign trade statistics of Bangladesh were included in the figures for Pakistan. Nevertheless, it is possible to reconstruct a picture of the direction and pattern of her foreign trade, although as shown later, the post-independence trade flows are likely to diverge substantially from the period when Bangladesh was a part of Pakistan.

Table IV shows the direction of exports from Bangladesh for three years – 1967/68 to 1969/70. There have been no major changes in the shares of different markets. Over 35% of exports went to Pakistan and nearly 13% to the EEC. The United States took about 10% of her exports and the UK nearly 8%. Exports to China rose rapidly to account for 4% by 1969-70.

On the import side, as Table V shows, Pakistan was again the most important trading partner for Bangladesh, accounting for nearly 44% of her imports during the period 1960/61 to 1962/63. The ratio rose to 47% over the three years 1967/68 to 1969/70. The US also increased its share from 13.5% to 17.2% over the period. On the other hand, trade with India disappeared from around 4% at the beginning of the sixties to zero towards the end. The UK share fell from 10.2% to 7.2%. The EEC and Japan accounted for roughly similar shares at around 7%.

Table VI shows the relative importance of the main exports from Bangladesh to Pakistan and other countries for three year averages at the beginning and the end of the sixties. The major change over this period relates to the decline in the share of raw jute from 50% to 31% of total exports, and an increase in manufactured jute goods from 25% to 35%. Although Bangladesh continues to be heavily dependent on jute - raw and manufactured - for export earnings, its share declined from nearly 75% at the beginning of the decade to 66% at the end. Three-quarters of total export earnings, however, still came from jute and tea in the closing years of the sixties. While all of raw jute and nearly 75-80% of manufactured jute goods were sold to other countries, tea was exported exclusively to Pakistan. Other important exports were leather goods (one-third to Pakistan), matches and paper and paste board (all to Pakistan). Excluding Pakistan, 94% of export earnings were derived from jute, of which a little more than a half came from raw jute.

The picture outlined above relates to the pre-independence period. Owing to massive dislocation and damage to the economy caused by the floods and the war in the period immediately preceding indepen-

dence, and the realignment of external economic relations since independence, it will be several years before the new direction and pattern of trade are established. The trade with Pakistan has disappeared and is unlikely ever to attain the relative importance of the pre-independence period. On the other hand, both exports to and imports from India, the Soviet Union and some European countries should show considerable increases. The pattern of exports is unlikely to show major changes in the near future, though new markets will need to be found for exports which were formerly directed primarily to Pakistan such as tea, matches and paper and paste board.

(c) Singapore

A description of Singapore's trade is complicated by the fact that a considerable proportion of it consists of entrepot trade. As an entrepot centre, Singapore collects various agricultural and mineral products from South East Asian countries for re-export to industrial countries. Likewise, she imports manufactured goods from various parts of the world for re-export to South East Asian and other countries. The entrepot function may involve a wide variety of activities ranging from a mere transshipment in original form to a considerable degree of processing and assembling. Apparently no clear cut criteria are currently used in classifying trade between the entrepot and non-entrepot categories.

The data issued by the Singapore Government do not distinguish between entrepot and non-entrepot trade. However, it is possible to get figures on the breakdown between these categories of trade. Some international sources such as the IMF and IBRD series on "Direction of Trade" give trade data for Singapore which are derived from the returns of other countries. For our purposes neither of the two sets of data are entirely satisfactory. On the one hand, Singapore clearly derives a significant proportion of national income, employment and foreign exchange earnings from entrepot activities which encompass a wide range of operations. Thus the total exclusion of entrepot trade from overall trade figures will obscure the vital contribution made by it to the Singapore economy.

On the other hand, inclusion of all entrepot exports and imports in the overall figures can give a misleading picture of the productive structure of the economy and of the overall importance of trade in the economy; for instance, restrictions on imports of palm oil in the industrialised countries, will obviously not have the same impact on the Singapore economy as on that of Malaysia, though the published figures show both as important exporters of this product.

In order to avoid these difficulties, wherever possible, both sets of data have been used; where this is not possible, as with the pattern

of exports, it should be remembered that virtually all primary product exports do in fact constitute entrepot trade.

Table VII shows the relative importance of entrepot trade in Singapore. It will be noticed that there has been a considerable decline in the relative importance of entrepot trade over the period, especially on the import side. This trend has been greatly accentuated since 1969, a reflection of the extremely rapid growth of the Singapore economy in recent years.

TABLE VII

Share of Entrepot Trade in Singapore's Exports and Imports (%)

	1961	1963	1965	1967	1969
Entrepot Imports as % of all imports	64.2	57.9	50.9	47.1	43.0
Entrepot Exports as % of all exports	93.0	90.2	85.9	89.1	88.4
Total Entrepot Trade as % of all trade	77.3	72.4	66.4	67.4	62.4

SOURCE: NG Hean Weng, External Trade: Trend, Composition and Direction, in You Poh-Seng and Lim Chong Yah (editors), *"The Singapore Economy"* (Singapore, 1971), Table 2, p.167.

Table VIII shows the direction of trade by total exports and imports, as reported by the Singapore Government. On the export side Malaysia is by far the largest market, accounting for about 23% of total exports, followed by USA (12%), and then a group of countries with similar shares – Japan, Vietnam, the EEC and the UK. On the import side, Japan and Malaysia account for nearly one-fifth each of total imports, followed by the USA at 13%, and the EEC and UK at 8% and 7% respectively. It should be noted that in the above table, the trade with Indonesia is not shown separately and has not been included in the total figure. It is, however, known that Indonesian trade accounts for a substantial proportion of the total trade.

Table IX shows the direction of exports and imports on the basis of data derived from the returns of importing countries. These figures may be taken as a rough approximation of non-entrepot trade. They show that major destinations for Singapore's exports are the US (17%), Japan (16%), UK (15%), and Hong Kong (11%). It should also be noted that whereas the UK share has very nearly halved between 1963 and 1970, the US has increased one and a half times. The importance of the Japanese market has increased, while that of the EEC and India has gone down sharply.

As for imports, calculated on the same basis, Japan emerges as far and away the most important supplier, accounting for nearly 30% of total imports, followed by US (16%), EEC (11%), and UK (10%). While both UK and EEC have suffered a decline in their share, the US and Japan have increased theirs since 1963.

The structure of Singapore's domestic exports is suggested in Table X. It is clear that Singapore has a highly diversified export base with a wide range of manufactured and agricultural processed goods, including electrical machinery, wood products, clothing, fixed vegetable oils, animal feeding stuffs, and office machines.

Singapore's major exports to the EEC and the three new member states for 1971 are shown in Table XI. The major exports to the new member states (for the most part to the UK) are: timber, electrical machinery, clothing excluding fur and cotton fabrics. Important exports to the EEC are: timber, electrical machinery goods, telecommunications apparatus, clothing, scientific instruments, crude vegetable materials, and musical instruments.

Singapore's non-entrepot exports have increased at an extremely high rate in recent years, and their structure is undergoing rapid changes with the skill-intensive and technologically sophisticated goods replacing traditional manufactured consumer goods. This trend is likely to continue in the coming years.

(d) Malaysia

A description of Malaysian trade is also complicated by Singapore's entrepot role with respect to her exports and imports. Therefore, we shall use two sets of data to illustrate the direction of Malaysian trade.

Table XII shows the direction of exports and imports for the years 1966 to 1970 as reported by the Malaysian Government. On the export side Singapore is the most important market, accounting for nearly 22% of exports, followed by Japan (18%), US (13%), EEC (12%), and UK (7%). An interesting feature of the table is the relative stability of the shares of major markets over the period. Table XIII shows the direction of Malaysian exports according to the data derived from the importing countries (with due allowance made for freight, insurance, and other expenses). These figures should approximate roughly the ultimate destination of Malaysian exports after taking account of re-exports from Singapore of products of Malaysian origin. Japan now emerges as the largest market, taking in nearly 30% of Malaysian exports, with the US accounting for a further 20% and EEC 18%. The UK share stays roughly the same under both sets of data.

On the import side, as shown in Table XII, Japan emerges as the most important supplier, having increased her share from 12% in

1966 to 18% in 1970, followed by UK (14%), which experienced a fall in her share. The EEC, US and Singapore account for roughly similar proportion of imports coming into Malaysia. The trade data derived from the returns of exporting countries yield a similar picture except for the relative insignificance of Singapore as a source of imports.

Table XIV shows the major exports from Malaysia from 1966 to 1970. Although there are considerable annual fluctuations in the importance of individual products, the share of three leading exports taken together – rubber, tin and tin concentrates, and timber – has remained relatively stable at around 70%, thus indicating heavy reliance on a narrow range of products. The dependence on rubber alone has varied from one-third to two-fifths of total export earnings. Over the period, iron ore has declined in importance, while timber and palm oil have increased their relative shares.

Table XV shows Malaysia's major exports to the UK and the EEC. As might be expected, the main exports to the EEC comprise rubber, palm oil, timber and tin, while to the UK, canned pineapples are also important, in addition to the above.

(e) Sri Lanka

The direction of trade is shown in Table XVI. The UK is by far the most important market for Sri Lanka's exports, though its importance has declined steadily in the sixties; it now accounts for a little more than a fifth of the total exports. China is the second most important trading partner, having increased its share of the market from 6% in 1963 to 13% in 1970. The share of the EEC has been fairly stable around 9%, as has that of the USA at around 8%.

On the import side, there is greater diversification. The UK is the largest supplier but its share has fallen from nearly 20% in 1963 to over 14% in 1970. China is the second important source of imports, followed by the EEC, Japan and US.

Table XVII shows the principal exports from Sri Lanka from 1967 to 1971. The three principal exports – tea, rubber and coconut products – between them have continued to account for nearly 90% of total export earnings, though the relative importance of tea has declined somewhat and that of coconut products has risen over the period. Nevertheless, even in 1971 tea provided 60% of the export earnings. Thus the export structure of Sri Lanka illustrates in extreme form the characteristic dependence of most developing countries on a narrow range of exports for the generation of export earnings.

Sri Lanka's main exports to the UK and the EEC are shown in Table XVIII. The main exports to the UK are tea, desiccated coconut, coir fibre, unmanufactured tobacco and rubber. Tea in its various forms accounts for 85% of exports to the UK. The five main exports to the

EEC, in order of importance, are tea, rubber, desiccated coconut, coir fibre and coconut oil.

(f) Concluding Remarks

A number of conclusions may be drawn from the preceding description of the direction and pattern of trade of the Asian Commonwealth countries. In the first place, the importance of the UK as an export market has declined steadily in the sixties; this is especially the case with India and Sri Lanka. On the other hand, the importance of Japan, the USSR, and USA has risen in most countries. Measured by the proportion of exports sold to the three most important trading partners, India shows the greatest diversification (39%), followed by Sri Lanka (44%), Singapore (non-entrepot exports - 48%), Bangladesh (58% including Pakistan) and Malaysia (67%). In terms of concentration of exports by products, the proportion of export earnings accounted for by three leading exports are: 27% for India, 30% for Singapore (all exports), 70% for Malaysia, 76% for Bangladesh (including exports to Pakistan), and 89% for Sri Lanka.

These are, however, rather general measures of the dependence of the ACCs on export markets and products. In order to assess the impact of the British entry into EEC, it is essential to evaluate the likely changes in access to various markets and their effect on individual exports from the ACCs.

III FACTORS DETERMINING THE IMPLICATIONS OF THE EEC ENLARGEMENT

A complete analysis of the implications for the ACCs of the enlargement of the EEC presents difficult and complex problems. This would require knowledge of the likely changes in the pattern of production and rate of growth of the economics of the member countries as a result of the enlarged Common Market; because it is these changes which in turn affect the pattern and volume of imports from outside the bloc. Another difficulty arises in assessing the impact on the direction of imports of the new member states of the elaborate network of special trade agreements which the EEC has negotiated with the third countries and to which the members will be required to subscribe.

There continue to be many imponderables as regards the future relationship of the EEC with the third countries: it is for example not known, what kind of special arrangements might be made with the Mediterranean countries with which the EEC has so far had no treaties; or the number of Commonwealth countries which might seek association with the enlarged EEC under the terms of the Treaty of Accession. There is also the uncertainty about the nature of the