

ANNEX G

THE WORLD ECONOMIC POSITION IN 1952-53

Difficulties of Estimation

1. It is at any time very difficult to foresee world economic trends for four or five years ahead and these difficulties are particularly acute at the present time. Many countries are still unable to re-establish a balance in their overseas payments and receipts and in many cases are still struggling to check internal inflation, and most countries still have difficulties in establishing a balance, either directly or indirectly, in their accounts with the dollar area.

Main Assumptions regarding the International Balance of Payments

2. In spite of these uncertainties, however, it has been necessary for the purpose of establishing our Long-Term Programme to make some working assumptions about the shape of the world economy in the early 'fifties. For this purpose it has been assumed that the present extreme disequilibrium in world economic relationships will have been corrected, and that some form of balance will have been re-established. The United Kingdom aims at balancing its overseas payments and receipts by 1952-53 with some provision for debt repayment and other investment overseas. It is assumed that the sterling area as a whole will also be in balance with the outside world and that the countries members of O.E.E.C. will also succeed in their aim of being independent of special outside assistance to their balances of payments by that time. In view of the uncertainty about the way in which the disequilibrium in the balance of payments of the dollar area with the rest of the world will eventually be corrected it has been thought prudent to assume that the Sterling Area as a whole must attain a balance with the Western Hemisphere and that the O.E.E.C. countries as a whole must do the same.

Volume of World Trade

3. United Kingdom exports in 1952-53 are estimated at 150 per cent. of the pre-war volume. This estimate presupposes a prosperous world, with a continued high level of economic activity in the United States and considerable progress towards full economic recovery in Europe. In these conditions the volume of world trade might rise to about 115 per cent. of the 1938 volume, compared with about 95 per cent. at the present time. A relatively greater expansion in trade in manufactured goods may be expected, and this is estimated at about 125 per cent. of the pre-war volume. Trade in primary products is estimated at about 105 per cent. of the pre-war volume.

4. It is reasonable to hope that Europe will have gone a long way towards full economic recovery by 1952-53, but the volume of Western European imports is unlikely to be above the pre-war level. A considerable increase in exports may, however, be necessary to purchase even this volume of imports in view of the loss of income from invisible transactions. The overseas trade of Germany and Japan is assumed to be much reduced compared with pre-war, though considerably above the present level and trade between Eastern and Western Europe is also assumed to be less than before the war. How far this trade is in fact expanded will depend on the willingness of Eastern European countries to offer on acceptable terms the food and materials required by the West. A tendency for these countries to insist on payment in the form of scarce capital goods needed for their industrialisation plans will tend to reduce the possibilities and attractions of such trade for the West. In view of the present published plans and apparent tendencies of these countries it has been considered wise not to count on any very considerable development of East-West trade, and trade between the United Kingdom and this group of countries has been estimated for long-term programme purposes at slightly above the pre-war level.

5. The trade of the sterling Dominions is in general expected to expand considerably above the present levels, but Canadian trade may be affected by the continuing dollar shortage and the need of countries which have been living partly on credits to re-establish a balance in their accounts with the Western Hemisphere.

6. The Western Hemisphere's contribution to world trade will probably remain considerably greater than before the war, although the abnormal level of