

The Italian Balance of Payments Problem

by
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1. — Table I sums up the more significant items in Italy's balance of payments (1) for the first half of 1952 and the first half of 1953.

(b) the invisible items have slightly improved, the active balance rising from 178 million dollars in 1952 to 220.5 million in 1953.

BALANCE OF PAYMENTS (CASH BASIS) (a)
(millions of dollars)

TABLE I

	Convertible currencies		Inconvertible currencies				Totals	
	1st half 1952	1st half 1953	Subject to compensa- tion through EPU		Not subject to com- pensation through EPU		1st half 1952	1st half 1953
			1st half 1952	1st half 1953	1st half 1952	1st half 1953		
1. Goods	— 178.6	— 128.2	— 141.5	— 297.8	— 12.6	— 17.9	— 332.7	— 443.9
2. Invisible items	53.6	93.0	112.9	111.7	11.5	15.8	178.0	220.5
3. Total	— 125.0	— 35.2	— 28.6	— 186.1	— 1.1	— 2.1	— 154.7	— 223.4
4. Items in course of settlement, arbitrage operations, etc.	2.9	11.7	— 6.3	3.1	5.0	11.3	1.6	26.1
5. Adjusted balance	— 122.1	— 23.5	— 34.9	— 183.0	3.9	9.2	— 153.1	— 197.3
6. Compensating items:								
(a) Receipts from ECA and MSA	99.1	82.8	—	—	—	—	99.1	82.8
(b) Transfer to EPU of balan- ces held with Central Banks	—	—	3.3	23.3	— 3.3	— 23.3	—	—
(c) Transfer to EPU of balan- ces held with other insti- tutions	—	—	2.7	0.3	— 2.7	— 0.3	—	—
7. Variations in foreign balances (5-6)	— 23.0	59.3	— 28.9	— 159.4	— 2.1	— 14.4	— 54.0	— 114.5

(a) See, note 1, on this page.

The first half of 1953 when compared with the corresponding period of 1952 would seem to be characterised by:

(a) a considerable increase of the trade deficit, which has risen from 332.7 million dollars in the first half of 1952 to 443.9 million in the first half of 1953;

(1) The figures given relate to the balance of payments on a « foreign exchange », or cash basis, *i.e.* to actual payments or receipts in the period concerned, and thus exclude items,

When the corrective items are taken into account, the deficit in the balance of payments is found to amount to 153.1 million dollars in 1952 and to 197.3 million in 1953. As the pay-

whether debits or credits, which were not settled in that period. On the subject of the deterioration in the Italian balance of payments position in 1952, see in No. 24 of this Review (first quarter of 1953, pp. 44-61) G. PIETRANERA, *The Crisis in the Italian Balance of Trade*, which contains useful data and comments on many of the same points as are discussed in this article, though the conclusions arrived at are sometimes different.

ments received on account of economic aid amounted to 99.1 million dollars in 1952 and to 82.8 million in 1953, the difference financed by drawing of foreign-balances was 54.0 million and 114.5 million dollars respectively (2).

2. — The payments for imported commodities have risen from 1,054.3 million dollars in the first half of 1952 to 1,100.0 million in 1953; on the other hand, the receipts from exports have fallen from 721.6 million dollars to 656.1 million. The increase of imports is accompanied by a change in their geographical distribution: the process of diversion from the dollar area towards other monetary areas has continued. The payments for imports settled in convertible currencies have fallen from 320.2 million dollars in the first half of 1952 to 261.7 million in the first half of 1953; on the other hand, payments for imports coming from the European Payments Union have risen from 649.4 million dollars to 737.9 million. Payments for imports from other monetary areas have also increased.

Receipts from exports to the European Payments Union show a marked shrinkage, falling from 507.9 dollars in 1952 to 440.1 million in 1953, a reduction of 67.8 million dollars. Exports to the dollar and other monetary areas have remained at much the same level. The total reduction of exports in 1953 as compared to 1952 amounts to 66.5 million dollars, and seems to be accounted for entirely by the areas belonging to the European Payments Union ($721.6 - 656.1 = 65.5$; $9,507.9 - 9,440.1 = 67.8$).

3. — Receipts from invisible items have risen from 262.4 million dollars in 1952 to 306.7 million in 1953. The balance has shown an increase in Italy's favour of 42.5 million dollars. It is accounted for to the extent of 39.4 million dollars by heavier receipts of convertible currencies. This, in its turn, is due in

(2) The figures published by « International Financial Statistics » (August 1953) show that the total amount of Italian credits held abroad amounted on 31 December 1951 to 1,045 million dollars and 30th June 1952 to 932 million; if we exclude from the figures those credits expressed in foreign currency but which can be settled in Italian currency (and therefore not to be included in exchange reserves), the above figures would stand respectively at 985 million and 931 million dollars, thus showing a decline of 54 million dollars, a figure that coincides with that mentioned in the text.

part to items of an exceptional nature connected with defence measures, which rose from 11.1 million dollars in 1952 to 21.0 million in 1953. Moreover, in 1953 receipts from off-shore orders have amounted to 19.1 million dollars. A contribution has also been made by the heavier receipts from tourists and emigrants (the former rose from 6.7 million dollars to 19.6 million; the latter from 11.3 to 18.8 million dollars). The increase seems to be due to the alignment of the free market and official market quotations for the U.S. dollar in the first half of 1953, an alignment which has directed the tourist and emigrant dollars towards official channels. Also in the case of the inconvertible currencies cleared through the European Payments Union there has been an increase in the receipts from tourists and emigrants; but there has been a corresponding decline in the receipts from freight rates.

4. — If the exceptional items connected with defence measures had been excluded and also those for off-shore orders, the deficit in convertible currency would have amounted to 133.2 million instead of 122.1 million dollars in the first half of 1952 and to 63.6 million dollars instead of 23.5 million in the first half of 1953. The total deficit in the balance of payments would have stood respectively at 161.5 and 237.1 million dollars. Thus, in the first half of 1952 the total deficit calculated on an annual basis amounted to 323.0 million dollars and in the first half of 1953 it amounted to 474.1 million.

5. — It appears from the figures given above that:

(a) The level of imports during the first half of 1953 has been sustained, while exports have continued to decline. The increase in the invisibles surplus has not entirely offset the greater trade deficit.

(b) The process of geographical redistribution of Italy's foreign trade has continued with increased concentration of imports in the monetary areas associated with EPU, accompanied by a rise in the balance of payments deficit with those areas.

(c) The improvement in the balance of payments in convertible currencies has been due

in part to temporary factors, namely greater receipts from items of a military character and larger receipts from invisibles consequent on the fall of black market exchange rates to about the level of official rates.

(d) The impact of the balance of payments deficit on foreign exchange reserves has been greatly eased by the contribution made by foreign economic aid which, however, practically ceased after July 1, 1953.

6. — The worsening of the situation in the first half of 1953 points to the urgency of introducing measures to re-establish equilibrium in the balance of payments. Such measures might be:

(a) A financial and credit policy aimed at reducing the level of investment and consumption at home so as to reduce import requirements and release a larger volume of commodities for export.

(b) Changes in the exchange rate between the lira and other currencies implying that a greater quantity of domestic goods would have to be offered for the same quantity of foreign goods, and thus that the level of domestic consumption would be reduced.

(c) Shifting imports from the present markets to those which are more apt to offer outlets for additional quantities of Italian exports.

(d) Restriction of imports by the introduction of quotas, possibly accompanied by an increase in tariffs.

7. — Even though measures for reestablishing equilibrium in the balance of payment are urgently needed, the prevailing conditions are not such as to justify hasty improvisation:

(a) Italy's foreign exchange reserves are still fairly high. According to IFS they were equivalent to \$ 913 million on December 31, 1952. After deducting from this figure credit balances expressed in foreign currency but actually payable in lira, we arrive at a figure of \$ 892 million. If we consider that the balance of payments deficit financed by drawing on foreign exchange reserves in the first half of 1953 was \$ 114.5 million, we may infer that the reserves amounted to \$ 777.5 million on June 30, 1953. According to IFS, this figure

included \$ 346 million in gold, as well as a certain amount of U.S. dollars.

(b) The total payments on account of foreign aid still to be made after June 30, 1953, will be \$ 148.7 million (difference between total procurement authorisations issued as of that date and payments effected as of that same date). It is estimated that receipts on account of off-shore procurements will be about \$ 100 million for 1953, and about the same amount for 1954.

(c) The total credit still obtainable from the EPU on June 30, 1953, amounted to \$ 111 million (equivalent to \$ 123 million of credit available, minus \$ 12 million actually utilized up to June 30, 1953). The utilization of this credit must be accompanied by the payment in gold or in dollars of \$ 82 million.

8. — As regards the possible solution of the balance of payments problem indicated under (a) in section 6, the following considerations are relevant:

(a) It seems unlikely that it will be possible to reduce public expenditure for investment purposes. Assuming that the Government intends to follow a policy aimed at reducing unemployment it is more likely that the opposite will happen. Indeed, irrespective of what may be the declared program of any future Government, it seems unlikely that such a government — whatever its political character — will be able to resist the pressures exerted upon it by the huge mass of unemployed. This is the more so since the number of unemployed registered at labour exchanges is rising (plus 3.5 per cent in March 1953 over 1949), and since the number of unemployed under 21 years of age is increasing sharply (plus 80.8 per cent).

(b) Whatever the declared programs of governments, and whatever attitude they take towards the problem of the unemployed, there is already a body of commitments which no government is likely to revoke and which imply the execution of investment programs having a profound impact on the balance of payments (3). According to a careful survey carried out by the SVIMEZ, every \$ 100 spent

(3) See the article quoted in note (1), p. 151.

in investment by the *Cassa del Mezzogiorno* gives rise to expenditures of \$ 49 on imports from abroad. From an economic point of view, the highest degree of elasticity would be that of military expenditures.

(c) Even assuming that a government succeeded in appreciably reducing public expenditures, it seems certain that the reduction would not be allowed to affect the level of investments. Rather it would seem that the purpose of such a policy would be to replace public investments by larger private investments, which, from the balance of payments point of view, would have the same consequences. Lastly, one should keep in mind the current pressure for wage increases. The success already achieved in more than one labour sector, and not unlikely to be repeated in other sectors, will exert further pressure on prices of consumers' goods unless this pressure is offset by larger supplies of these goods and hence by larger imports from abroad.

9. — Concerning the solution suggested under (b) in section 6, we should note that:

(a) Changes in the lira exchange rate would result in an improvement of the balance of payments position only on the following conditions:

(i) that the higher cost of raw material and food imports is not reflected in corresponding increases in domestic prices, a condition which is unlikely to be satisfied in the present Italian situation;

(ii) that the increase in the export volume is sufficiently large to raise the total receipts in terms of foreign exchange, a condition which also seems unlikely to be fulfilled, given the high elasticity of demand for Italian goods on international markets, and also the insurmountable obstacle represented by the quantitative import restrictions imposed by other countries.

10. — If the considerations set out in the preceding section are correct, it follows that forces are likely to develop in the domestic market tending to increase imports rather than to reduce them. It would then seem that we should do best to seek a solution that will permit imports to be maintained at the present

level or increased; this is in order to be in line with a policy aimed at expanding investments and increasing consumption. The search for such a solution must necessarily be made within the framework of international situations which it is not in the power of Italy to control.

TABLE II
EXPORTS AND IMPORTS OF PRINCIPAL COUNTRIES
OF STERLING AREA

	Jan.	Feb.	March	April	May	June
<i>United Kingdom (a)</i>						
Exports 1952	267	246	268	231	238	196
1953	228	204	224	224	219	212
Imports 1952	357	297	333	325	320	276
1953	290	243	286	293	296	292
<i>Australia (b)</i>						
Exports 1952	64.6	56.6	66.6	59.0	51.8	53.0
1953	66.9	65.0	90.2	79.4	73.3	75.2
Imports 1952	114.3	106.0	85.5	81.6	75.4	54.9
1953	44.7	41.5	44.2	43.3	44.2	43.0
<i>New Zealand (c)</i>						
Exports 1952	17.6	23.1	26.1	21.7	28.4	20.4
1953	16.1	26.3	22.2	26.9	—	—
Imports 1952	22.2	22.4	24.0	21.3	20.1	23.2
1953	12.0	12.7	13.1	11.5	—	—
<i>Union of South Africa (d)</i>						
Exports 1952	25.9	29.0	32.3	26.9	29.3	24.9
1953	28.2	29.2	27.4	28.2	27.7	—
Imports 1952	39.0	39.0	28.0	41.3	37.3	35.6
1953	32.3	33.2	39.8	37.4	36.0	—
<i>India (e)</i>						
Exports 1952	661	489	568	449	510	520
1953	443	393	461	375	401	—
Imports 1952	931	838	915	811	793	628
1953	435	400	470	577	574	—
<i>Pakistan (f)</i>						
Exports 1952	394	251	167	116	151	73
1953	163	177	155	92	131	—
Imports 1952	189	233	199	212	204	158
1953	105	114	100	79	67	—
<i>Ceylon (g)</i>						
Exports 1952	172	140	116	136	136	127
1953	166	100	133	114	140	—
Imports 1952	151	151	150	141	129	170
1953	109	115	145	155	137	—
<i>Burma (h)</i>						
Exports 1952	58.8	92.5	139.4	122.1	103.1	107.6
1953	29.8	16.6	79.3	—	—	—
Imports 1952	56.6	65.2	54.8	68.3	96.3	74.4
1953	62.9	49.1	63.4	—	—	—

(a), (b), (c), (d) Millions of pounds.
(e), (f), (g) Millions of rupees.
(h) Millions of kyats.

11. — The steady increase in the deficit in Italy's balance of payments with EPU countries demands special attention. In this context it is appropriate to examine:

(a) the general policy followed by the U.K. and other members of the sterling area aiming at a better balance of payments position for that area as a whole, and the impact of this policy on Italy's exports;

(b) the present position of Germany in the EPU;

(c) the position of France.

12. — The policy followed by the U.K. and by the other members of the sterling area has had as its chief objective the attainment of a balance of payments surplus, accompanied by a parallel increase in foreign exchange reserves. As is known, the increase in reserves actually took place as from the second half of 1952.

The surpluses in the balance of payments of the sterling area have been obtained through a number of measures of which the major consequence has been not so much to increase exports from the countries in the area as to reduce imports by them (*see Table II*).

The decline of imports by sterling area countries has resulted in a very considerable reduction in exports by Italy to these countries, as is shown by the figures in Table III.

TABLE III
ITALY'S EXPORTS TO STERLING AREA COUNTRIES
(millions of dollars)

	January			June		
	1951	1952	1953	1951	1952	1953
United Kingdom	12.7	15.4	7.7	19.1	7.3	5.8
Australia	2.5	4.2	0.4	6.9	2.0	1.8
New Zealand	0.5	0.3	0.1	0.1	0.1	0.1
Union of South Africa	3.2	1.9	1.5	2.3	0.8	1.9
India	3.6	0.9	2.0	4.6	1.9	3.1
Pakistan	1.1	2.9	0.8	5.2	1.5	1.8
Ceylon	0.4	0.9	0.5	0.2	0.2	1.3
Burma	—	0.4	0.4	0.3	0.2	0.3

The decline in exports to the sterling area, and the increase in imports from that area

have been responsible, in their turn, for the very large Italian deficits towards the U.K. in the EPU (*see Table IV*).

TABLE IV
ITALY'S POSITION IN EUROPEAN PAYMENTS UNION
(millions of dollars)

	1951		1952		1953	
	Net monthly position	Bilateral position towards U.K.	Net monthly position	Bilateral position towards U.K.	Net monthly position	Bilateral position towards U.K.
January	-20.0	-15.4	+13.6	+5.0	-37.5	-13.9
February	-27.2	-27.8	+0.2	-6.1	-29.7	-17.1
March	-5.4	-13.8	-0.1	-6.1	-27.9	-6.3
April	+6.2	-2.3	-1.0	-6.7	-22.8	-17.2
May	+18.6	+14.5	-22.4	-20.2	-25.9	-12.1
June	+28.6	+21.2	-20.5	-24.1	-15.8	-10.1

Note: Monthly positions as well as bilateral positions vis-a-vis U.K. are given net of amortization of Italy's existing resources in sterling.

13. — From the figures given in section 12, it appears that Italy's debtor position within the EPU is heavily influenced by her debtor position vis-a-vis the sterling area. Concerning the possibility of reducing Italy's debtor position vis-a-vis the sterling area, the following factors are relevant:

(a) As regards Italian exports which have been hit by quantitative restrictions the removal of these restrictions should result in some increase in those exports.

(b) As regards Italian exports which have not been or are not the subject of restrictions, but which have nonetheless declined to a large extent, it is more difficult to foresee possibilities of an increase.

In the light of the available information, it seems that the removal of some restrictions by the U.K. and by other countries of the sterling area has in fact led to an increase in Italian exports, but not to a sufficient increase to restore the old situation. The fall in Italian exports seems to be more largely attributable to the effect which the stricter financial policy pursued by the sterling area has had in sharply reducing the demand for goods imported from

abroad and, consequently, in excluding those goods which are less competitive. In most of the sterling area markets, the fall in Italian exports seems to be mainly attributable to their lack of competitiveness, and it would therefore be unrealistic to expect an increase in those exports as the result of further removals of quantitative restrictions.

14. — The financial and commercial policy pursued by the U.K. and the other members of the sterling area, with the object of moving towards the restoration of sterling convertibility, tends to increase competition within the sterling area and consequently to increase Italy's difficulties. These difficulties would be aggravated still further were the plan for making sterling convertible to be realised. This is so for the following reasons:

(a) The EPU would be liquidated. Consequently, Italy would lose an automatic line of credit of \$ 123 million with which to finance payments disequilibria with the sterling and other monetary areas at present associated with the EPU. Any possible credit facilities afforded by the British banking system would not represent an adequate substitute. On the contrary, experience shows that credit facilities extended by English banks to overseas customers are gradually revoked just at the time when those customers would need them most.

(b) The introduction by the sterling area of a system of fluctuating exchange rates not involving — at least in the beginning — any determination of the limits within which the fluctuations are allowed to take place would confront Italy with two alternatives: to follow the fluctuations of sterling and therefore add an element of variation to her system of internal prices with the danger of provoking wage movements and more than proportionate price increases; or not to follow these fluctuations and thus encounter greater difficulties in exporting.

(c) The carrying out of the plan for sterling convertibility would envisage an intermediate stage during which it would still be possible to maintain discriminatory restrictions vis-a-vis the dollar area. In a final stage, the

plan would involve the obligation of removing these restrictions. The consequences would be a merging of the various monetary areas in one single area, thereby causing a further sharpening of competition and accordingly greater export difficulties for the less competitive countries.

15. — Our considerations so far lead us to the following conclusions:

(a) It appears unlikely that, even if the U.K. and other countries of the sterling area should completely remove quantitative restrictions, Italian exports can recover to a level sufficient to restore equilibrium in Italy's balance of payments.

(b) The low level of Italian exports towards the sterling area seems to be due to a diminished competitiveness of these exports, and a further increase in commercial competition within the sterling area would appear probable.

(c) The fact that Italy's transactions with the sterling area bulk so large in the total of her transactions settled through the EPU raises doubts as to the possibility of eliminating her present deficit with EPU.

16. — Another EPU country which has steadily improved her international position is Germany. The improvement in her position differs from that in the position of the U.K. inasmuch as it has been attained by an increase in exports which has more than offset the increase in imports (see Table V). Germany's improved international position is reflected in

TABLE V

TRADE BALANCE OF WEST GERMANY
(millions of dollars)

	Exports	Imports
1950	1,981	2,704
1951	3,473	3,503
1952	4,038	3,854
1st quarter of 1953	947	906

the progressive liberalisation of her imports (namely, from 56.8 per cent in March 1952 to 90.1 per cent in April 1953).

The expansion of the internal German market has offered supplementary outlets to Italy's exports. On the other hand, the increasing competition now exerted by German products on third markets, and Germany's vigorous policy of aiding exports, are among the factors which have hindered the capturing of overseas markets by Italian goods.

17. — The French position in the EPU has been characterised by a series of debtor positions. The total cumulative position from July 1950 through June 1953 was — \$ 883.1 million. The settlement of this position was effected to the extent of \$ 419.2 million by payments in gold; \$ 208 million was covered by the use of credit facilities. \$ 211.2 million outside the quota was settled in gold; out of this \$ 211 million, \$ 89 million was received in the form of special resources granted by the U.S. In these circumstances, France decreed the total suspension of her import liberalisation. The effect of this measure on Italian exports was to eliminate the surplus which Italy normally had towards France.

It is impossible to foresee how long it will be before France is in a position to restore her import liberalisation measures. Certainly she cannot take this step before she has put her domestic financial position in order and the speed with which she can do this depends on political conditions. In any case it is not difficult to foresee that whilst these restrictions are maintained it will be almost impossible for Italy to achieve the surpluses towards France which in the past had helped her to improve her over-all position within the EPU.

18. — It seems to follow that:

(a) In all probability the tendency for Italy to be in debt towards the monetary areas associated with the EPU will persist in the future, especially if the process of shifting imports from the dollar area to the EPU area continues.

(b) The continuation of such a situation would require Italy to create a surplus position

in U.S. dollars with which to offset her deficit position in European currencies.

19. — In the first half of 1952, Italy's deficit in dollars and other convertible currencies, calculated exclusive of military items and economic aid, was \$ 133.2 million, while the deficit calculated in the same way in the first half of 1953 was \$ 63.6 million. Taking into account military items and economic aid, the balance of payments in dollars and other convertible currencies showed a deficit of \$ 23 million in the first half of 1952, and a surplus of \$ 59.3 million in the same period in 1953. Even including receipts from off-shore procurements — which, as indicated above, are estimated at \$ 100 million for 1953 and about the same for 1954 — it seems impossible that there will be a dollar surplus large enough to offset the deficit towards the EPU. As already mentioned, this deficit amounted to \$ 34.9 million in the first half of 1952, and to \$ 183 million in the first half of 1953.

20. — In conclusion, it appears that if imports are kept at the present level, and even more so if they continue to increase in proportion to the expansion of domestic investment, and finally if the present geographical distribution of imports continues, it is improbable that exports can be increased sufficiently to reestablish equilibrium in the overall balance of payments. It may be added that it would be unwise to seek a final equilibrium in the balance of payments which is dependent on the continuation of such uncertain factors as off-shore procurements. It follows, therefore, that the only possible alternatives are: to change the geographical distribution of imports, shifting them towards those areas where Italian exports have the greatest possibilities of finding markets; or to re-introduce quantitative restrictions on imports.

21. — The composition of Italian imports is such that if a change in their geographical distribution were sought, the measures implementing such a change would have to cover the major categories of raw material and food imports, of which the table VI shows the values and sources appropriately grouped.

TABLE VI

G o o d s	Imports from :		Total (1952)
	Group I Monetary areas with which Italy's balance of payments tends to show deficit (1952)	Group II Monetary areas with which Italy's balance of payments tends to show surplus (1952)	
	(in millions of dollars)		
Foodstuffs	183.8	85.2	269.0
Textiles	407.8	6.1	413.9
Solid and liquid fuels .	285.7	125.7	411.4
Minerals, scrap metals and processed metals	217.9	12.4	230.3
Equipment and vehicles.	293.1	0.9	294.0
Timber and cellulose .	76.3	24.0	100.3
Chemical products and by-products	119.0	14.3	133.3
Other commodities . .	383.3	78.3	461.6
<i>Total</i>	<i>1,966.9</i>	<i>346.9</i>	<i>2,313.8</i>

Imports of cereals could be entirely shifted from the monetary areas of the first group to those of the second. A part of coal imports could also be shifted in the same way. This would involve the reconsideration of commercial relations with all other countries, including those of Eastern Europe. Following the example of other countries, petrol imports could be made subject to the condition that petrol companies purchased more in Italy. Some of the wool and cotton imports could also be shifted. Finally, it should be remembered that Italy is the only country amongst those with balance of payments difficulties that does not encourage the use of artificial textile fibres for the domestic market.

The objection to measures such as those described above is that they would have the effect of forcing Italy to buy her imported commodities at high prices.

The answer to this objection is that:

(a) It is true that the prices of imports coming from monetary areas where it is easier for Italy to place her exports are higher than those for imports coming from other areas. It is however also true that prices of Italian exports are higher in those areas, and therefore the terms of trade with these areas should not differ from those that would result if Italy succeeded in lowering her prices so as to make her exports more competitive.

(b) If, however, for various reasons Italy should not be able to make her prices more competitive, and therefore to sell more in the monetary areas from which her supplies now come, and the alternative outlined in (a) should not be adopted, the only solution would be that of restricting imports, thus provoking price increases and monopolistic profits.

22. — In harmony with the policy of changing the sources of imports, and in support of it, other measures which are urgently needed concern medium-term export credit and export credit insurance. The need for such measures is the greater in view of the increased importance of equipment goods in foreign trade. It is these goods which have largely been responsible for the expansion of exports from Western Europe generally in this post-war period. Exports of equipment goods from Europe in 1951 showed an increase of 129 per cent compared with the 1938 level. British exports had increased three times since pre-war; French exports four times; and Italian exports two and a half times.

In 1952, exports from Western Germany had increased 33 per cent over 1951, those from the U.K. by 7 per cent, those from France by 9 per cent, and those from Italy by 7 per cent. During the first few months of 1953, exports of these goods declined as compared with the same period in 1952 with the sole exception of German exports which showed a further increase of 10 per cent.

In most European countries exports of equipment goods are aided by the granting to the importing countries of large medium-term credits. In this field Germany leads with the Company for Export Credit (A.K.A.G.), which during its first fiscal year (closed on March 31, 1953) had refinanced export credits to the extent of DM. 634 million. Industries producing equipment goods had received the largest share of these credits; the engineering industry DM. 200 million; the automobile industry DM. 164 million; and the electrical equipment industry DM. 126 million. Credits were granted for exports to those monetary areas to which Italy should make the greatest effort to expand exports if she intends to reestablish equilibrium in her balance of payments.