

An important factor in the buoyancy of trade in raw or partly manufactured materials, as shown in Statement II, was an exceptional demand for iron and steel in 1937. Prices of coal and raw iron continued to increase after the prices of many other industrial raw materials turned downward in the early part of 1937. The demand was due, not only to ordinary capital equipment activities which were high in the majority of countries, but also to enlarged armament programs. In certain countries, the re-orientation of imports towards metal products for armament purposes, clearly implied a reduction in the capacity for importing materials required for the production of articles of consumption.

*Trade in Certain Staple Products.*—A study of the trade in the major staple products throws some light upon certain of the tendencies which have recently affected the international exchange of goods.

Of important food staples, coffee was the only one of which lower quantities entered into world trade in 1937 than in 1936. The average price of all articles was higher than in 1936. The trade in wheat during the early part of 1937 was determined largely by the simultaneous failure of the 1936 crop in Canada and in several countries of Western and Central Europe and around the Mediterranean. The increase in the demand of Western and Central Europe was met largely by imports from the Argentine and certain countries of Southeastern Europe, which had the benefit of an unusually large crop. The Canadian crop of 1937 was again very low, and Canadian wheat exports, which had reached 6.6 million metric tons in 1936 fell to 2.6 millions in 1937. The improved crop of the United States, however, permitted some net exports from that country. During the four years 1933-36, the United States had been a net importer of wheat; in 1935 and 1936, her excess of imports had, indeed, been greater than that of any other country, with the exception of the United Kingdom.

The increase in quantum as well as in the price of raw materials was generally greater than in the case of foodstuffs. The quantities of mineral products entering into trade were unusually large; that of coal rose by over a fifth, and a similar or greater increase appears to have occurred in the case of mineral oils and certain metals. Trade in certain raw materials of agricultural origin was not so active; the quantity of cotton entering into trade appears to have been about the same as in 1936, while the prices fetched were lower than in that year, and the quantity of wool declined.

The high prices brought by the majority of primary products during the early part of 1937 coincided with an exceptional activity in trade. The quantum of trade in raw materials reached a record level, partly on account of purchases in anticipation of a further increase in prices. Stocks in the producing countries in many cases declined, and restrictions on the production of controlled commodities were relaxed. During the second half of 1937, on the other hand, the demand from certain countries fell off. The reduction in the United States imports of raw materials on account of her declining industrial activity was one of the principal causes of the change in market conditions, but importance should also be attributed to the reduction in purchases by Japan, where stocks of imported raw materials, accumulated during the first half of the year, were absorbed by the manufacturing industry. Improved crops in many countries increased the supply of certain agricultural products, particularly cotton. World demand for numerous commodities also remained high, however, during the latter part of 1937. The intensive activity of armament industries in many countries contributed to maintaining or even raising imports of coal, iron and steel, and base metals, and naturally also stimulated indirectly the