

Intra-Commonwealth trade was estimated at 25·7 p.c. of the total trade of the British Commonwealth in 1929 and 1931, 29·1 p.c. in 1932, 30·6 p.c. in 1936, and 31·4 p.c. in 1937. The rise from 1932 to 1938 in the share of the British Commonwealth in world trade contrasts sharply with the fall in that of the French Empire.

Factors Influencing World Trade.—In addition to the considerations of price and industrial and trade conditions, there are other factors that are exerting a strong influence on world trade. While space does not permit an exhaustive analysis of the circumstances that have determined the changes taking place, certain of the chief factors may be mentioned.

Effects of War Apprehensions.—The uncertainties of the international situation had a very depressing effect on trading conditions as between nations during the year 1938. This is not so much a result of the continuance of the 'undeclared wars' in China and Spain as of the danger—almost expectancy—of more extensive conflicts. All the nations whose foreign communications were vulnerable had taken the precaution to increase their stocks of foreign raw materials and foodstuffs and trade in armaments was very active with consequent demand for commodities directly concerned.

United Kingdom imports of whale oil, for example, increased in quantity by 50 p.c. (from 152,000 long tons in 1937 to 226,000 in 1938) and her imports of aluminium and nickel were twice as high in 1938 as they were in 1936. There was a tenfold increase in German cereal imports in 1937 and 1938 and a heavy rise in the last-mentioned year in German purchases of certain metals and mineral oils. The same is true of Japanese trade and indeed of that of several other countries.

In 1938 the stimulating influence of the threat of war on trade was obvious, and its importance was enhanced by the fact that the purchases for armament purposes gathered pace just at a period—from the middle of 1937 to the middle of 1938—when the decline in the United States demand for goods threatened to initiate a world-wide depression similar to that which began in 1929. The depression that actually occurred was serious enough to cause a considerable fall in the prices of primary products.

However, there are in most countries rather narrow limits to the increase in imports for armaments. A heavy increase in purchases of foreign goods for such purposes is likely in most countries to lead sooner or later to a decline in the imports of other goods, or in exports, or both. Thus, the chief reasons for the collapse, in 1938, of Japanese trade with countries outside the 'yen bloc' appear to have been the scarcity of raw materials for the export industry—aggravated by the exchange control introduced as one of the means of putting Japanese economy on a war basis, increased manufacturing costs within Japan, and consequent inability to pursue the policy of selling at low prices that had previously been Japan's strongest weapon in her competition in foreign markets. As a result, a substantial part of Japan's markets was won by competitors. Germany's sale of coal, coke, iron, and crude iron products fell off sharply while imports of iron ore and mineral ores showed a big increase. In spite of increased value of imports in 1938, certain civil industries in Germany suffered from an acute shortage of raw materials, resulting in an adverse influence upon exports.

The stimulating influence of increased armaments upon trade is likely to be limited, therefore, but in the latter part of 1937 and in 1938, when there was a rapid expansion of purchases for armament purposes, at the same time as the relatively low industrial activity in the United States was exercising a deflationary