Developments in the Commodity Composition, Market Distribution, and Competitiveness of Italy's Foreign Trade, 1955-1963

Italy's foreign trade increased spectacularly in the decade ending in 1963. From $1.5 billion in 1953, total exports increased to $5.1 billion in 1963, or by 249 per cent. In volume terms, the increase was somewhat larger, 289 per cent, as the unit value of exports fell from 100 in 1953 to 86 in 1963 (1). Shipments of manufactured goods, of which Italy is an important world exporter, increased in value by 339 per cent. This increase was second only to that of Japan, whose exports of manufactures increased by 371 per cent. In contrast during the same period, exports of manufactures from West Germany increased by 253 per cent, from the United States by 31 per cent, and from the United Kingdom by 60 per cent (2). Italy's imports also increased dramatically from $2.4 billion (c.i.f.) in 1953 to $7.6 billion in 1963, or by 217 per cent. The increase in volume was again larger, 268 per cent, as the unit value of imports fell from 100 in 1953 to 85 in 1963 (3).

The increase in Italy's exports has been a major factor contributing to its rapid economic growth in the past decade. This has been true in relation to gross national product as a whole and parti-

(1) This paper was prepared under the aegis of a Ford Foundation Faculty Research Fellowship granted to the author for the 1964-65 academic year. It was written in residence at the Scuola d'Italia, which through its Service Studi kindly provided me with working facilities and access to its library. I would like to thank B. Asorey Soro, G. Faccavena, G. Pah, S. Leonetti, F. Mazzoni, and A. Pedone for their helpful comments on an earlier draft of the paper.

(2) Data on the total value, volume, and unit value of exports are from OECD, Statistical Bulletin, Foreign Trade, Series A, Overall Trade by Country.

(3) Data on manufactured goods exports are from the United Nations, Monthly Bulletin of Statistics.

(4) OECD, op. cit. Note that with the slightly greater fall in the unit value of imports, Italy's commodity terms of trade increased from 100 in 1953 to 110 in 1963.

cularly with regard to investment and productivity which were stimulated significantly by the export expansion. The increase in exports also made it possible to finance larger imports, especially of manufactured goods, and the rapidly expanding domestic economy helped to attract sizeable inflows of long-term capital. With a comfortable balance of payments position, at least to the end of 1962, domestic expansionary policies were implemented without serious external constraints.

It became obvious in 1963, however, that a new set of conditions was at work. Wages had increased sharply, bringing about large increases in home consumption and imports with the further result of a substantial deterioration in the balance of payments.

In order to correct this situation, the financial authorities took steps to check the expansion in domestic demand and thus in imports. As a consequence of these steps and with a considerable expansion of exports especially in the second half of 1964, the external payments situation was greatly eased.

Since it appears that 1963 perhaps marks a turning point in the rate and pattern of Italy's economic growth, a recapitulation of the major developments which have occurred in her foreign trade in the years preceding may be of some interest. The present paper thus seeks to determine the contributions to changes in total Italian exports which may be attributable to changes in the commodity composition, market distribution, and competitiveness of these exports. In addition, imports will be examined with reference particularly to changes in their commodity composition and regions of origin (4).

1.

In attempting to account for the remarkable increase noted in Italy's exports, consideration must be given to factors on both the demand and the supply sides. Changes in the demand for Italy's

exports may have been due, for example, to such factors as: 1) changes in the commodity composition of import demand in a given market due to changes in the level and distribution of real income, tastes, technology, commercial policy, or the competitiveness of import-competing industries in the given market; and 2) changes due to the reasons just mentioned in the market distribution pattern of the different national and regional markets which comprise the total world market for imports from various countries.

Changes on the supply side serving to increase the competitiveness of Italy's exports may have been due to such factors as: 1) differential rates of increase in productivity and the levels of prices; 2) differential rates of improvement in the quality of goods exported and in the development of new exports; 3) differential rates of improvement in the efficiency of marketing or in the terms of financing the sale of export goods; and 4) differential changes in the ability for prompt fulfillment of export orders (6).

While a precise accounting for all the foregoing factors cannot be made, some of them at least appear susceptible to quantitative measurement. Thus, in what follows estimates have been made of the changes in the demand for Italy's exports to the extent that these changes are reflected in changes in the total value and pattern of world trade. The portion of the increase in exports remaining after the elimination of these demand factors is thus considered attributable to the role of supply factors which have given rise to increased competitiveness (6).

The procedure adopted to assess the influence of changes in foreign demand is outlined in algebraic form in the Appendix (7).


(6) Alternatively, changes in the demand for Italy's exports could be studied by means of regression analysis in which the volume of exports might be related to income in the importing countries and to the prices of Italy's exports relative to those of competing countries. Such an analysis would have the advantage of affording a longer time perspective and of avoiding the difficulties in relating the Italian export price to a common index of relative prices. However, to the extent that the Italian export price is affected by the supply elasticities of the demand for Italian exports, the study of the influence of the Italian export price and in the statistical estimation of the price elasticities of demand for Italian exports, the study of the influence of the Italian export price and in the statistical estimation of the price elasticities of demand for Italian exports, the study of international trade would have to consider the additional problem of the supply elasticities of the demands for imports.

(7) This procedure was first suggested in an article by H. T. Swank, "World Trade to Manufactured Commodities, 1913-1950", The Manchester School, Vol. XIX (September 1951).

It consisted of three steps. First calculated was the amount by which Italy's exports would have increased from an initial year if they had grown at the same rate as the total value of world demand, measured here by the total value of world exports to all importing areas excluding Italy.

The second step was to estimate the increases which Italy would have realized if its exports of each major commodity group had risen at the same rate as world exports of the particular commodity group, and then to subtract from these amounts the amounts by which each group would have increased if it had risen at the same rate as total world exports. Thus, if world demand expanded more than proportionately for those commodities in which Italy specialized in the initial year, the effect would be positive. Otherwise, it would be negative.

The third step was to estimate the increase in Italy's exports of each commodity group if Italy had just maintained its share in each major market for that group, and to subtract from these amounts the amounts by which each commodity group would have increased if it had risen at the same rate as world exports of that particular group. Accordingly, if world demand grew more than proportionately in those markets in which Italy was concentrated in the beginning year, the effect would be positive. Otherwise, it would be negative.


Finally the sum of the amounts calculated in the manner just described was deducted from the total increase in Italy's exports in order to arrive at the remainder which can be considered the result of the increased competitiveness of these exports. Now it should be evident that this remainder is an indication of general competitiveness in the sense that it reflects not only price competitiveness, but, as well, the influence of quality variations, the introduction of new exports, promotional expenditures, possible changes in marketing arrangements, and the ability to service export orders promptly (8). It would of course be of great interest to attempt to disaggregate this residual of general competitiveness in order to assess the relative importance of the price and non-price factors. This will not be attempted in the present paper, however, due to the lack of information on these latter factors and the relatively few data points which could be computed for purposes of analysis (9).

II.

The calculations were based upon seven SITC commodity groups and upon ten importing areas, as specified in the Appendix. The classification of manufactured goods in particular into only three groups is far from satisfactory because of the heterogeneity of the components, especially in SITC groups 6 and 8. Time and resources unfortunately precluded both the utilization of data for the few available components of the manufactured goods groups and the expansion of the calculations to cover a significantly larger number of importing areas (10).

(8) Changes in competitiveness can also be thought of as occurring in response to change in the domestic level of income and employment in so far as these latter changes affect the availability of goods for export and thus are reflected in the various price and non-price factors mentioned.

(9) As more data points became available, it would perhaps be worthwhile to undertake some regression analysis of the relations between the calculated residuals of competitiveness and measures of relative export prices by region and for total exports. This is in effect what Fleming and Thang, op. cit., attempted to do. There is also the possibility of using a method of analysis in which the commodity composition, market distribution, and world demand influences are approximated by the use of dummy variables. For some preliminary results based upon a procedure of this kind, see Acast L. Comroux and Rosamor M. Smith, "The Determination of the Factors Affecting American and British Exports in the Interwar and Postwar Periods". Oxford Economic Papers (forthcoming).

(10) Less aggregative data comparable to those used in the present study are available in the United Nations, Monthly Bulletin of Statistics for the following seven SITC commodity subgroups: cereals, textile fibers, metallic ores and metal scrap; textile yarn and fabrics; base metals; other manufactured metal products; and passenger road vehicles and their parts.

The results of the detailed calculations which were made for 1955-1963 are summarized in Table 1 (11). It is evident that the increase in the value of world trade explained about 40 per cent of the increase in Italy's exports from 1955 to 1959, about 25 per cent from 1959 to 1962, and close to 60 per cent from 1962 to 1963. The changes due to the commodity composition and the market distribution of the expansion in world trade were comparatively small. Five per cent or less of the increase in Italy's exports from 1959 to 1962 could be attributed to the commodity composition. The overall market distribution was actually slightly unfavorable to Italy from 1955 to 1959, and slightly favorable after that time. The residual portion which measures the increase in Italy's exports due to increased competitiveness can thus be seen to have been substantial. It accounted for nearly 60 per cent of the increase from 1955 to 1959, more than two thirds from 1959 to 1962, and about 40 per cent from 1962 to 1963.

**Table 1**

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Change in Total Exports</td>
<td>1,051</td>
<td>2,784</td>
<td>2,826</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Due to increase in value of world trade</td>
<td>441</td>
<td>773</td>
<td>231</td>
<td>42.9</td>
<td>26.9</td>
<td>52.2</td>
</tr>
<tr>
<td>Due to commodity composition of increase in world trade</td>
<td>51</td>
<td>61</td>
<td>6 (0)</td>
<td>5.0</td>
<td>3.4</td>
<td>0.4 (4)</td>
</tr>
<tr>
<td>Due to market distribution of increase in world trade</td>
<td>-95</td>
<td>53</td>
<td>-2</td>
<td>-5.2</td>
<td>3.0</td>
<td>-0.5</td>
</tr>
<tr>
<td>Due to increased competitiveness of Italy's exports</td>
<td>67</td>
<td>1,977</td>
<td>1,814</td>
<td>62.3</td>
<td>69.1</td>
<td>49.7</td>
</tr>
</tbody>
</table>

(11) The year 1955 was chosen as the starting point because world export data for earlier years were not available in the United Nations, Monthly Bulletin of Statistics according to different and non-comparable regions of destination.
The summary data in Table 1 are broken down in Table 2 according to the regions of destination of Italy’s exports. It can be seen that the major increases in Italy’s exports from 1955 to 1959 were to the industrial countries of North America, EEC, and EFTA, and that a substantial proportion of these increases was attributable to increased competitiveness. This was also the case from 1959 to 1962, in particular as far as exports to the EEC were concerned. That is, $385 million of the $1,784 million increase in exports during these years went to the EEC, and close to $600 million was attributable to increased competitiveness. The proportion of the increase due to the market distribution was relatively minor by contrast, even given the very rapid growth in income which the EEC countries experienced. It would of course be interesting to determine what part, if any, of the increase in Italy’s competitiveness between 1959 and 1962 was due to the differential impact of EEC commercial policies which favored Italy. However, since this would require detailed information on changes in tariffs within the EEC, it was considered to be beyond the scope of the present study (12). In any case, there can be no doubt of the perverseness of the increase in Italy’s competitiveness which was evidenced strongly as well in all of the other importing regions.

Italy’s exports from 1962 to 1965 increased to all regions with the exception of EFTA. While the proportion of the increase due to competitiveness declined somewhat in comparison to the earlier years noted, it was nevertheless still relatively substantial (13). The negative figure for the competitiveness of Italy’s exports to the EFTA countries is of interest. This might conceivably be attributed in part to the differential impact of EFTA commercial policies unfavorable to Italy. But before this explanation was

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(12) For a recent study of the effects of commercial integration which gives substantial weight to the influence of tariff reductions in increasing trade among the EEC countries, see P. J. van der Linde and F. J. M. Mayer van den Bergh, “Trade Creation and Trade Diversion in the Common Market,” in Integration Européenne et Relations Économiques (European Integration and Economic Relations), Brussels: de Tempel for the College of Europe, 1961.

(13) Although no direct information is available, it might be conjectured that the 1959-1962 changes reflect in part the relatively lower rates of growth experienced in the earlier years. It is probably also worth noting that in itself a decline in the proportion of the increase in exports due to increased competitiveness by no means signals a reduction in the increase in exports due to increased competitiveness by as much as a negative figure, as was the case with Italy’s exports to the EFTA countries from 1962 to 1965.
accepted, an examination would be needed of the detailed export returns in order to determine if the negative figure for competitiveness was due to such factors as the completion by 1963 of special export deliveries or to the reduced availability of export goods on account of increases in Italy's home consumption.

Table 3 contains an analysis of Italy's exports for the period from 1955 to 1962 according to the major STIC commodity classes. The greatest part by far of the increases in exports from 1955 to 1959 was in machinery and transportation equipment and other manufactured goods, and, as would be expected, a substantial proportion of these increases was attributable to increased competitiveness. It is also clear that the increases from 1959 to 1962 were similarly concentrated in manufactured goods and that the relative importance and absolute magnitudes represented by increases in competitiveness were impressive indeed. Although the analysis by commodity classes cannot be extended beyond 1962 because data were not yet available at the time of writing, the 1962 to 1963 results given in Table 2 according to region of destination would suggest that increased competitiveness in manufactured goods exports was of considerable importance also in 1963.

In interpreting the statistical results presented in Tables 1-3, one must be cognizant of course of the limitations inherent in the method of calculation, the data and the level of aggregation, and the inability to specify more exactly the components of competitiveness. Thus, it has been assumed in the method of calculation that the various factors specified are independent and additive, and that they can be fully and unambiguously isolated (14). Moreover, the data classifications and levels of aggregation employed cannot be broken down readily to analyze the changes which may have occurred for particular commodities or importing nations within the major commodity and regional groups. Since new and improved lines of manufactured goods may have bulked large

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in the increases in Italy's exports in the period under study, a more
disaggregated system of data classification might possibly yield ther-
erefore results that would give more weight especially to changes
in the commodity composition of exports.

But in any case, the picture which emerges from the present
results establishes without doubt the predominant role of increased
competitiveness in the remarkable increase in Italy's exports in
the past decade. What will be interesting now to watch is how
closely this record of the past decade may be matched in the near
future, particularly in light of the wage pressures and slowing
down in investment which have taken place in Italy since 1962.

III.

Turning next to an examination of imports, it is evident that
changes in Italy's demand for imports in total and according to
major commodity groups will be determined by changes in such
factors mentioned earlier as the level and distribution of income,
tastes, technology, commercial policy, or the competitiveness of
its import-competiting industries (15). And similarly on the supply
side, the share of particular regions of origin in Italy's imports
will depend upon changes in their relative price competitiveness,
quality variations and the introduction of new exports, promotional
expenditures and changes in marketing arrangements, and the
ability to service exports orders promptly.

Since a detailed examination of the foregoing factors was
considered to be beyond the scope of the present undertaking,
an attempt was made instead to adapt the procedure used in the
analysis of exports to an examination of the changes which have
occurred in Italy's imports between 1955 and 1963. This adapta-
tion is set forth in algebraic form in the Appendix.

First calculated were the amounts by which Italy's imports
according to each major commodity group and region of origin

would have increased from an initial year if these imports had
increased at the same rate as total imports. The sum of these
amounts will be equal by definition to the actual increase in total
imports between the initial year and some given year.

The next step was to calculate for each commodity group and
region of origin the increase in imports that would have been
realized if the share in total imports of each commodity group
and region of origin had remained the same as in the initial year,
and to subtract from these amounts the amounts by which imports
of each commodity group or region of origin would have increased
if they had risen at the same rate as total imports. Thus, if Italy's
demand for imports increased more than proportionately for those
commodity groups which were less important in the beginning year,
the effect would be positive. Otherwise, it would be negative.
The combined effects should sum to zero since they refer to com-
ponents of the change in total imports.

Finally, the calculated increase in imports that would have
been realized by each region of origin if its share in Italy's total
imports of each commodity group had remained unchanged was
subtracted from the total amount of imports in a given year in
order to arrive at a remainder which can be taken as indicative
of the change in competitiveness of individual regions of origin.
Consequently, if Italy's demand for imports expanded proportion-
ately more with respect to regions of origin that were less impor-
tant in the initial year, the effect could be positive. Otherwise, it
would be negative. Here again the combined effects should sum
to zero since they refer to the components of the change in total
imports. Note further that for the individual regions the change
in competitiveness must be interpreted broadly, as in the analysis
of exports, to comprehend both price and non-price factors.

The calculations were based upon the same commodity groups
and regions as utilized in the analysis of exports. The same draw-
backs that were mentioned earlier with respect particularly to the
heterogeneity of the components for manufactured goods are thus
applicable here as well. The results of the detailed calculations
made for 1955-1963 are presented in Table 4 according to com-
modity class and in Table 5 according to region of origin. The
small positive or negative figures indicated in the Total column
in each table are the consequence of rounding.

(15) See the references cited in footnotes (4) and (8) above; for a treatment of some of
the changes which have occurred in Italy's demand for imports. Somewhat more comprehen-
sive results pertaining to Italy's demand for imports in the postwar period can be found in
E. Vezzni in Passaggio in un nuovo ambiente delle relazioni commerciali amano itali-
ane con i Paesi di Europa Occidentale e America del Nord (Roma: Istituto Nazionale per lo Studio della
Conquista, 1954); this work is summarized in an article by the same author, "L'economia delle importazioni
The results in Table 4 indicate that from 1955 to 1959 the commodity composition, which reflects the changes in Italy’s demand for imports brought about by changes in the level and structure of domestic income and output, was roughly neutral for foodstuffs, negative for crude materials and mineral fuels, and positive for chemicals and manufactured goods. With a near doubling of total imports in the subsequent period from 1959 to 1962, the commodity composition revealed that imports of foodstuffs, crude materials, and mineral fuels lost substantially in relative importance compared to the very sizeable increases in the imports of the two categories of manufactured goods. Finally, from 1962 to 1963, it can be seen that the commodity composition of the $1.5 billion increase in imports was concentrated particularly upon foodstuffs and manufactured goods as compared to crude materials, mineral fuels, and chemicals.

The results in Table 5 provide an indication of the factors which have influenced the shares in Italy’s imports of the individual regions of origin. Thus, the total increase shown in Italy’s imports from each region is broken down into the portion due to the increase in the value of imports from all regions, the portion due to changes in the commodity composition of imports by region, and a residual portion due to changes in competitiveness.

From 1955 to 1959, Italy’s imports increased from all regions except North America and Australia, New Zealand, and the Union of South Africa, which exhibited negative influences for commodity composition and competitiveness. The EFTA countries had a small negative influence due to reduced competitiveness, while the commodity composition was unfavorable for the less developed countries of Asia and Africa. The substantial increase in imports from 1959 to 1962 was concentrated in large part on the industrial countries. The commodity composition can be seen to have been unfavorable to all of the non-industrial regions, especially Other Asia and Africa. As far as competitiveness was concerned, the chief increases noted were for North America, the other EEC countries, Other Western Europe, and Eastern Europe, while there were substantial decreases evident for EFTA and Other Asia and Africa. Here again it would be of interest to determine what part, if any, of the EFTA decline in competitiveness might be due to the differential impact of changes in Italy’s commercial policy with respect to the EEC. This cannot be assessed unfortunately.

ANALYSIS OF CHANGES IN ITALY’S IMPORTS (C.I.F.)
BY COMMODITY CLASSES, 1955-1963
(Millions of dollars)

<table>
<thead>
<tr>
<th>Class (1)</th>
<th>1955</th>
<th>1959</th>
<th>1962</th>
<th>1963</th>
<th>1965</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foodstuffs, Beverages, and Tobacco</td>
<td>451</td>
<td>841</td>
<td>532</td>
<td>141</td>
<td>299</td>
</tr>
<tr>
<td>Crude Materials, Oils and Fats</td>
<td>561</td>
<td>759</td>
<td>956</td>
<td>243</td>
<td>279</td>
</tr>
<tr>
<td>Mineral Fuels and Related Materials</td>
<td>846</td>
<td>1,553</td>
<td>874</td>
<td>393</td>
<td>1,297</td>
</tr>
<tr>
<td>Chemicals</td>
<td>331</td>
<td>1,083</td>
<td>938</td>
<td>435</td>
<td>1,072</td>
</tr>
<tr>
<td>Total</td>
<td>2,475</td>
<td>5,422</td>
<td>4,347</td>
<td>1,466</td>
<td>3,508</td>
</tr>
</tbody>
</table>

A. Change in imports from 1955 to 1959

1. Due to increase in value of total imports

2. Due to commodity composition

3. Due to change in competitiveness

B. Change in imports from 1959 to 1962

1. Due to increase in value of total imports

2. Due to commodity composition

C. Change in imports from 1962 to 1963

1. Due to increase in value of total imports

2. Due to commodity composition

(1) Includes transactions and commodities not elsewhere specified (N.T.C.)

## Analysis of Changes in Italy's Imports (C.I.F.) by Region of Origin, 1955-1963

**Table 5**  
(Thousands of Dollars)  

<table>
<thead>
<tr>
<th></th>
<th>North America</th>
<th>Latin America</th>
<th>E.E.C.</th>
<th>F.E.T.A.</th>
<th>Other Western Europe</th>
<th>Other South and Central America</th>
<th>Other Africa and Europe</th>
<th>Eastern Europe</th>
<th>All Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imports in 1955 from</td>
<td>454</td>
<td>138</td>
<td>641</td>
<td>177</td>
<td>143</td>
<td>6</td>
<td>697</td>
<td>65</td>
<td>12</td>
<td>2,790</td>
</tr>
<tr>
<td>Imports in 1959 from</td>
<td>405</td>
<td>234</td>
<td>815</td>
<td>279</td>
<td>214</td>
<td>16</td>
<td>763</td>
<td>191</td>
<td>6</td>
<td>3,310</td>
</tr>
<tr>
<td>Imports in 1963 from</td>
<td>500</td>
<td>355</td>
<td>1,892</td>
<td>501</td>
<td>546</td>
<td>299</td>
<td>1,978</td>
<td>331</td>
<td>10</td>
<td>6,216</td>
</tr>
<tr>
<td>Imports in 1965 from</td>
<td>1,198</td>
<td>458</td>
<td>2,794</td>
<td>1,175</td>
<td>1,369</td>
<td>235</td>
<td>399</td>
<td>1,173</td>
<td>440</td>
<td>7,082</td>
</tr>
</tbody>
</table>

### A. Change in imports from 1955 to 1959
1. Due to increase in value of total imports: 405
2. Due to commodity composition: -3
3. Due to increased competitiveness: -126

### B. Change in imports from 1959 to 1963
1. Due to increase in value of total imports: 555
2. Due to commodity composition: -30
3. Due to increased competitiveness: -124

### C. Change in imports from 1963 to 1965
1. Due to increase in value of total imports: 500
2. Due to commodity composition: -70
3. Due to increased competitiveness: -50

*Sources and notes: Some sources are the same as in Table 4, with adjustments to make the regions comparable with the United Nations classification shown in Table 2 above.*

Without detailed information on tariffs and other changes. However, the increased competitiveness noted for regions other than the EEC might suggest that changes in commercial policy may not have been decisive with respect to altering EFTA's share of Italy's imports (10).

From 1962 to 1963, imports from North America were subject, as from 1955 to 1959, to the negative influences of commodity composition and competitiveness, while imports from the other countries of the EEC continued to reflect strong positive influences in these respects. Interestingly enough, the EFTA countries exhibited a further decline in competitiveness, as did Australia, New Zealand, and the Union of South Africa and Other Asia and Africa. Imports from these latter regions were also subject to a pronounced negative influence due to commodity composition.

When we consider Tables 4 and 5 together, it is thus clear that changes in the commodity composition of Italy's imports from 1955 to 1963 were concentrated in favor of manufactured goods in comparison to crude materials and mineral fuels. The pattern of change was also against foodstuffs from 1959 to 1962, but was reversed in 1963 when imports of foodstuffs rose significantly. The chief beneficiaries of the increase in Italy's imports were the industrial countries, particularly the other members of the EEC that benefited both from the commodity pattern of the increase and from their increased competitiveness. The EFTA countries especially and, to some extent, North America were adversely affected by reduced competitiveness. Finally, the primary producing regions, in particular the less developed nations of Asia and Africa, fared relatively poorly in the increase in Italy's imports due to an unfavorable commodity composition and also to some reduction in their competitiveness.

What will happen to the commodity composition of Italy's imports after 1963 will depend upon the changes in the demand factors mentioned earlier. The tendency for imports of crude materials and mineral fuels to increase proportionately less than imports of manufactures seems fairly well entrenched. Future imports of foodstuffs will depend largely upon changes in income.

(10) The results presented in the aforementioned paper by Verdoorn and Meyer zu Schellenberg would suggest that the decline noted for EFTA may in fact have been attributable to reduced competitiveness rather than to changes in Common Market commercial policies.
in relation to the ability of domestic producers to expand, stabilize and diversify their output, particularly of protein type foodstuffs. As noted, manufactured goods imports will continue to expand rapidly as domestic incomes and output rise, although there will probably be significant changes in the composition of these imports if domestic production of import substitutes is efficiently expanded and diversified.

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APPENDIX

I. The statistical procedure adopted for the analysis of changes in Italy's exports was as follows:

\[ X = \text{Italy's total exports in 1955;} \]

\[ X' = \text{Italy's total exports in 1959 (1962 or 1963);} \]

\[ r = \text{percentage increase in world exports to all importing areas other than Italy from 1955 to 1959 (1962 or 1963);} \]

\[ i = \text{subscripts (1, 2, 3, ..., 7) denoting one of the following commodity groups: Food, Beverages, and Tobacco (SITC 0 and 1); Crude Materials, Oils and Fats (SITC 2 and 3); Minerals and Related Materials (SITC 4); Chemicals (SITC 5); Machinery and Transportation Equipment (SITC 6); Other Manufactured Goods (SITC 7); All Other Goods (SITC 8);} \]

\[ j = \text{subscripts (1, 2, 3, ..., 10) denoting one of the following importing areas: North America; Latin America; EEC (excluding Italy); EFTA; Other Western Europe; Australia, New Zealand, and Union of South Africa; Japan; Other Asia and Africa; Eastern Europe; and All Other Countries.} \]

Thus, for example, \( X_i \) represents Italy's exports in 1955 of commodity group \( i \) to all markets, and \( X_{ij} \) the exports of commodity group \( i \) to market \( j \). \( n_i \) and \( n_{ij} \) represent the percentage increases from 1955 to 1959 (1962 or 1963) in world exports of commodity group \( i \) to all markets and to market \( j \), respectively. \( x_i \) and \( x_{ij} \) represent Italy's actual exports in 1959 (1962 or 1963) of commodity \( i \) to all markets and to market \( j \), respectively.

The effect of the increase in total world trade on Italy's exports is:

\[ \sum_{i=1}^{7} r X_i = X_i \]

The effect of the commodity composition of the increase in world trade on Italy's exports is:

\[ \sum_{i=1}^{7} n_i X_i = r X_i \]

The effect of the market distribution of the increase in world trade on Italy's exports is:

\[ \left( \sum_{i=1}^{7} r_{ij} X_{ij} - n_i X_i \right) 
+ \left( \sum_{i=1}^{7} n_{ij} X_{ij} - r_{ij} X_{ij} \right) 
\]

\[ = \sum_{i=1}^{7} \sum_{j=1}^{10} n_{ij} X_{ij} - \sum_{i=1}^{7} n_i X_i \]

The effect of the increased competitiveness of Italy's exports is:

\[ \sum_{i=1}^{10} \sum_{j=1}^{7} X_{ij} = \sum_{i=1}^{7} \sum_{j=1}^{10} n_{ij} X_{ij} \]

Thus, the increase in Italy's exports between 1955 and 1959 (1962 or 1963) is due to the combined influence of the four preceding factors:

\[ X' = X \left( \sum_{i=1}^{7} \frac{r}{n_i} X_i - X_i \right) 
+ \left( \sum_{i=1}^{7} \frac{n_i}{r_{ij}} X_{ij} - \frac{r_{ij}}{n_i} X_{ij} \right) 
\]

\[ = \sum_{i=1}^{7} \sum_{j=1}^{10} n_{ij} X_{ij} - \sum_{i=1}^{7} n_i X_i \]

Note that the effects of the increase in total world trade on Italy's exports could also be measured by \( \sum_{i=1}^{7} r X_i - X_i \) Similarly, the effect of the market distribution could be measured by \( \sum_{i=1}^{7} r_{ij} X_{ij} - r X_{ij} \) in which case the effect of the commodity composition would be:

\[ \sum_{i=1}^{7} \sum_{j=1}^{10} n_{ij} X_{ij} - \sum_{i=1}^{7} n_i X_i \]

As will be evident from a comparison of Tables 2 and 3, this latter formulation gives somewhat, but not very, different overall results.
II. The statistical procedure adopted for the analysis of changes in Italy's imports was as follows:

\[ M = \text{Italy's total imports (c.i.f.) in 1955;} \]
\[ M' = \text{Italy's total imports (c.i.f.) in 1959 (1962 or 1963);} \]
\[ r = \text{percentage increase in Italy's imports (c.i.f.) from all regions from 1955 to 1959 (1962 or 1963);} \]
\[ i = \text{subscripts (1, 2, 3, \ldots 7) denoting the main commodity groups as used in the analysis of imports;} \]
\[ j = \text{subscripts (1, 2, 3, \ldots 10) denoting the regions of origin of Italy's imports as used in the analysis of exports.} \]

The effects of the increase in Italy's total imports broken down by commodity class and by region of origin are:

\[ \sum_{i=1}^{7} r M_i - M_i \quad \text{and} \quad \sum_{j=1}^{10} r M_j - M_j \quad (6) \]

The effects of the increase by commodity class and by region of origin with respect to the increase in total imports are:

\[ \sum_{i=1}^{7} \sum_{j=1}^{10} r_i M_{ij} - \sum_{i=1}^{7} r M_i \quad \text{and} \]
\[ \sum_{i=1}^{7} \sum_{j=1}^{10} r_i M_{ij} - \sum_{j=1}^{10} r M_j \quad (7) \]

The effects of the changes in competitiveness by region of origin are:

\[ \sum_{i=1}^{7} \sum_{j=1}^{10} M'_{ij} - \sum_{i=1}^{7} \sum_{j=1}^{10} r_i M_{ij} \quad (8) \]

Examination of the expressions in (6) will reveal that they should sum to the actual increase in imports for a given year, \( M' \), with respect to the initial year, \( M \). Expressions (7) and (8) should, accordingly, sum to zero since they refer to the increases in imports of all commodities from all regions, or, what is the same thing, the imports from all regions of all commodities.

The Pattern of Change in Latin American Banking: An Overall View *

That part of the world, extending from the Rio Grande to the Magellan Straits and referred to, geographically, as Central and South America and culturally, as Latin America, is striking for the community of her problems and aspirations as well as for the variety of her underlying characteristics. While the Iberic civilization impressed an indelible mark on the Continent, some fringe areas retain the imprint of other cultures. The Latin influence fell on pre-existing ethnical and social structures, different in the degree of their advancement toward organization, arts and techniques. The result was that in some parts indigenous and extraneous elements merged in forming new nations, in other parts they came to coexist as separate entities; and in still others immigrants from the outside prevailed upon native peoples. Thus, in panorama, one may note striking differences from country to country, with some of them presenting a uniform social structure along European lines, others showing sharp contrasts between most primitive and most advanced patterns of society.

To these differences in ethnical and social characteristics correspond differences in physical resources and the ways people meet the struggle for daily life. The great variety of agricultural products and cattle, raised in tropical and temperate climates and on high plateaus and lowlands, and of minerals from the underground and resources from the surrounding seas witness to the opportunities of the future. The contrast between a well developed coastal strip, circling the entire continent, and the untapped wealth of its heartland is witness to the fact that the exploitation of resources was for

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