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President: Mr. ENGEN (Norway).

Present:

The representatives of the following countries: Argentina, Brazil, Canada, China, Czechoslovakia, Dominican Republic, Ecuador, Egypt, France, Greece, Indonesia, Netherlands, Norway, Pakistan, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Yugoslavia.

Observers from the following countries: Bulgaria, Chile, Costa Rica, Finland, Hungary, Israel, Italy, Poland, Romania, Spain.

The representatives of the following specialized agencies: International Labour Organisation, Food and Agriculture Organization of the United Nations, International Bank for Reconstruction and Development, International Monetary Fund, Interim Commission for the International Trade Organization.

AGENDA ITEM 2

World economic situation

- (a) Survey of the world economic situation, including the questions of full employment and of the expansion of world trade (E/2864, E/2871 and Add.1 to 6, E/2880, E/2881, E/2882, E/2897) (*continued*)

GENERAL DISCUSSION (*continued*)

1. Mr. WILLIAMS (International Monetary Fund) drew the Council's attention to the changes which had taken place in the field of international payments as a result of the rapid rise in the world's productive potential and the high level of activity maintained in the industrial countries, as described in the Secretary-General's very lucid *World Economic Survey 1955* (E/2864).

2. Although the annual supply of dollars emanating from the United States of America had steadily increased between the end of the war and 1950, other countries had not availed themselves of the flow to add to their depleted reserves during that period, on account of the urgent needs of post-war reconstruction. From 1950 onwards, however, the situation had changed, and all major areas, particularly the sterling area, had been increasing their

dollar reserves, out of a total annual flow then amounting to nearly \$20,000 million, with the result that by 1955 their reserves stood at nearly \$10,000 million.

3. The fact that governments had been prepared, during the past five years, to add such a large proportion of their countries' exchange receipts to reserves showed that they felt that their acute payments problems were over. As a result, the members of the International Monetary Fund (Fund) had, for the most part, been progressively relaxing their exchange and trade restrictions. Although the changes from year to year had not invariably been spectacular, the change over the whole five-year period was impressive. Gone were the compartmentalization of trade and the extreme inconvertibility of currencies that had existed in the early post-war years. Discrimination against dollar goods had been greatly reduced or entirely abolished. Similar progress had been made towards convertibility of currencies. Although the number of countries with fully and officially convertible currencies was not much larger than it had been at the time of the Fund's creation, the measures taken gradually over the past five years had resulted in a substantial measure of *de facto* convertibility. That represented real progress towards formal convertibility itself, the goal to which the members of the Fund had pledged themselves.

4. Mr. OLIVIERI (Argentina) said that the fact that Argentina had embarked on a radical readjustment of its economy in order to ensure a rapid rate of development and was at the same time reshaping its international economic policy led its delegation to take a particular interest in the debate on the world economic situation. The *World Economic Survey 1955* clearly showed the high level which world economic activity as a whole had attained, but also gave an unpromising picture of the situation with regard to agricultural products. Although the international economy was prosperous, there were symptoms which gave ground for serious concern. Unfortunately, the very full discussions in the Economic and Social Council on basic commodities and steps to mitigate the instability of the markets for them had not yet led to any tangible international action. The symptoms, however, were clear enough, and it would not be wise to delay too long before taking—or at least preparing to take—effective steps to cope with any acute crisis that might occur.

5. The *Survey* pointed to the inconsiderable growth in the world demand for basic commodities only a few years after urgent appeals to increase production had been launched soon after the war. That scanty increase in demand went to support the thesis maintained by the Economic Commission for Latin America (ECLA) in the reports which it submitted to the Council on basic

commodities in general. While to raise *per capita* income and standards of living tended to swell the demand for industrial goods and services, the demand for basic commodities was developing relatively slowly. That imposed on primary producing countries the need to adopt a bold policy for transforming their economies, in which industrialization must take the lead.

6. In recent years, the problem of the disposal of surpluses on the world market had become yet another factor affecting the demand for basic commodities. While he fully appreciated the reasons which had led the largest producing country into a disposal policy which had such serious consequences for the other producing countries, among them Argentina, their customary markets were being invaded as a result of the financial inducements the policy held out. It was to be hoped that that situation would not persist and that, in addition to the steps taken directly to attack the problem of surpluses at the source, appropriate methods of international co-operation would be found at least to mitigate the damage suffered by the other producing countries from such abnormal competition.

7. The disparity between the growth of world demand for primary and for manufactured products made it necessary for countries in the course of development to adopt a definite policy of transforming the structure of their economies. That disparity was in fact one of the justifications for industrialization. Without industrialization the primary producing countries would not be able to increase their income nor fully satisfy their growing demand for manufactured goods. The extension of the industrial process to new forms answering the dynamic requirements of its growth played an important part in the Argentine reconstruction plans, but industrialization would henceforward find its greatest support in the mechanization of agriculture. The basis of the Argentine plans was, indeed, the rehabilitation of and technical progress in agriculture. The basic importance attached by the Argentine Government to the mechanization of agriculture had sometimes been wrongly construed as an intention to return to agricultural production and stock-breeding to the detriment of industry.

8. The question of the balance between agriculture and industry in Argentina was one of general interest. There was an impression that the economic difficulties confronting Argentina were due to excessive industrialization. That was a mistake. Argentine industry should be far more developed than it was, and much better integrated. What had happened had been a lack of structural balance. While industry had been encouraged, agriculture had been neglected and exports had fallen, and that decline in exports made it impossible to import all the raw materials and equipment required by industry. If agricultural production and exports had been promoted, there would now have been a much higher level of industrial production, owing to the fact that larger quantities of essential goods could have been imported.

9. There was, therefore, no essential conflict between industry and agriculture, a fact which the Argentine Government recognized in its reconstruction plans. Thorough mechanization of agriculture and stock-breeding would again increase the quantities available for

export, notwithstanding the growth of domestic consumption. But the limits imposed by the relatively slow increase in world demand could not be overlooked. Those limits made it advisable to introduce an energetic policy of industrialization in order to substitute domestic production for further imports. Only by a vigorous policy of substitution, linked with a stimulus to exports, could Argentina succeed in obtaining a rapid tempo of growth without a fresh disequilibrium in its balance of payments.

10. That was yet another reason why Argentina was very much interested in the Secretary-General's proposals for work in the field of industrialization and hoped that such work would supplement that done by the regional commissions. Argentina was confronted with many problems due to industrialization, and it and other Latin American countries therefore welcomed the forthcoming establishment of a committee on trade within ECLA. Industrialization required the reciprocal development of export markets within Latin America itself, so long as Latin American manufactured goods were unable to compete outside Latin America. Latin American countries must seek appropriate ways of reaching understanding that would permit of a certain degree of industrial specialization, especially now that several Latin American countries, and Argentina in particular, had to deal with more complex forms of industrialization. It was therefore to be hoped that the debates in the committee on trade would be successful and that something tangible would emerge from them before it was too late. The discussions certainly need not be confined to industrial goods, as there was a great deal to be done with regard to the exchange of basic commodities among Latin American countries by the removal of existing barriers to trade.

11. One such barrier, both to trade within Latin America and to general trade, was that of payments. Argentina had just taken a very important step by initiating multi-lateral payments with important West European countries, thus breaking with bilateralism. It was to be hoped that other European countries would show the same spirit of co-operation, but it must be admitted that certain situations for the time being prevented a move away from bilateralism, although it was to be hoped that, even in such cases, some way might be found to make balances transferable.

12. Argentina had embarked on the policy of multi-lateralism with great conviction, and had accordingly joined the Fund, one of whose aims was in fact a reversion to multilateralism. The Fund had been wise enough to apply flexibly certain rigid provisions of its Articles of Agreement, and in that way had allayed certain misgivings about its operations. Bodies like the Fund were still in an experimental phase, and all countries should bring their own experience to assist in the development of its policy. Argentina had at the same time joined the International Bank for Reconstruction and Development and adhered to the International Wheat Agreement, thus showing its willingness to contribute to international co-operation.

13. Argentina fully shared the concern, expressed so often in the Economic and Social Council, about the

scanty international resources hitherto used for the financing of economic development. Admittedly, the Latin American countries had not always been very much in favour of that form of co-operation, but there was undoubtedly much to be done by way of contributing to speeding up the growth of countries in the course of development, if the concern expressed so often in the Council was to lead to tangible results.

14. Mr. L'HUILLIER (International Chamber of Commerce), speaking at the invitation of the PRESIDENT, said that, on the occasion of the Council's consideration of the report submitted by the Secretary-General on the international machinery for trade co-operation (E/2897), the International Chamber of Commerce wished to confirm the resolution adopted by its most recent congress, held at Tokyo in 1955, asking the Governments of the States parties to the General Agreement on Tariffs and Trade (GATT) to put into force as speedily as possible the amendments introduced in that Agreement at the ninth session of the Contracting Parties, and also to ratify the agreement establishing an organization for trade co-operation.

15. In the years which had elapsed since its entry into force, GATT had made an active contribution towards the progressive liberation of international trade from the obstacles which hindered its development. The Contracting Parties to GATT had not restricted themselves to combating the general forms of protectionism—for example, by promoting the reduction of customs duties; they had also sought to render more flexible certain practices in trade policy which constituted a real obstacle to trade. Thus they had recommended governments to simplify the documents required of importers. Similarly, on the proposal of the International Chamber of Commerce, the Contracting Parties had worked out the International Convention to Facilitate the Importation of Commercial Samples and Advisory Material. That convention had come into force on 20 November 1955. In a resolution adopted in May 1956, the International Chamber of Commerce had requested governments, whether or not they were parties to GATT, to become parties to that convention so that it would be assured of application on a world-wide scale.

16. Mr. BOGAERT (International Federation of Christian Trade Unions), speaking at the invitation of the PRESIDENT, said that, in his organization's view, Part I of the *World Economic Survey 1955*, dealing with economic growth in the post-war decade, provided an indispensable basis both for the future guidance of United Nations work and for the decisions which would have to be taken by governments in the matter of economic and social policy.

17. It was no doubt very encouraging to learn that world economic activity had developed remarkably since 1944. In the industrialized countries there had been an increase in productivity, an improvement in the employment situation and an increase and improvement in the distribution of the national income. In the under-developed areas, continuing economic and social advancement, promoted by the social climate prevailing in those territories, was to be noted. However, the *World Economic Survey 1955* acknowledged that the pro-

gress recorded was relative. It should not be overlooked that the present economic situation was being compared with that which had existed before the Second World War—i.e., in a period of great depression.

18. Production had increased substantially in the industrialized countries. Indeed, the increase in the volume of world production by nearly two-thirds as compared with the pre-war period had been realized essentially in those countries. Investments, and therefore the formation of capital, had likewise made progress. On the other hand, consumption had not developed at a pace corresponding to the growth of investments. The increase in national income had been due mainly to technical progress and to the development of productivity. That being so, the International Federation of Christian Trade Unions (IFCTU) noted with concern that the level of living of the population had not improved in proportion to the growth of national *per capita* income. While it was no doubt necessary to set aside a part of the national income for productive investments—defence and the like—it was inadmissible that the progress achieved should not be reflected in a corresponding improvement in the well-being of the workers.

19. With regard to the under-developed regions, it was noted that the volume of commodity production had increased much less in those areas than in the industrialized countries. Capital formation, an essential element in economic development, had progressed but little, and consumption had increased even less. The gap between the industrialized countries and the under-developed regions was growing wider, as the *World Economic Survey 1955* pointed out. In order to remedy that situation, the governments of the under-developed countries must see to it that all the national resources were utilized to ensure a balanced development in their economies. However, those regions would certainly be unable to achieve economic equilibrium without international assistance. It was not merely the duty of the industrialized countries, but it was in their interest, to accept such real international co-operation as would permit them to close the gap which at present separated them from the under-developed regions.

20. The economy of those regions was at present suffering from the consequences of the difficulties encountered by international trade. Not only had the total volume of international trade failed to show an increase corresponding to that of the total volume of world production; even international trade in basic commodities had failed to keep up with the much smaller growth in total world production of such commodities. Neither for foodstuffs nor for other basic commodities had the volume of international trade developed in the same proportion as for manufactured goods. Lastly, an unsatisfactory tendency could be seen as regards the way in which the profits of international trade were distributed. It was therefore unlikely that an increase in trade with the under-developed countries could take the place of international assistance in ensuring those countries' development. The extension of international trade might, it was true, promote the development of the less-favoured territories on condition that they were not regarded as markets for manufactured goods and as suppliers of cheap raw materials. In present circumstances, even if

the terms of trade moved in favour of the territories supplying commodities (which, incidentally, did not coincide with the under-developed areas), the profits derived from the exports of the under-developed countries could not finance the far-reaching reforms which their economies required. Hence, international trade would not solve the problem unless the industrialized countries decided to invest their surplus capital in the infrastructure of the under-developed countries.

21. Turning to the part of the *Survey* devoted to the economic outlook for 1956, he pointed out that the industrialized countries might expect a slowing-up in their industrial production and trade. The comparative increase in industrial production would directly depend on increased productivity, in view of the level of employment attained. It was to be anticipated that the workers would be asked to raise their output still further without being granted any increase in their real wages. The workers represented by IFCTU categorically rejected any new production technique that could not provide them immediately with a corresponding improvement in their standard of living.

22. The economic and social development of the under-developed countries obviously depended on the general progress of the industrialized countries, being linked with the volume of the demand for basic commodities and the supplies of capital available. That meant that the future development of the world economy would depend on the measures adopted by the governments of the industrialized countries. His Federation wished to draw the attention of those governments to the absolute need that they should provide security of employment and improved standards of living for the workers, and to their responsibilities regarding the prosperity of the rest of the world.

23. The study *Economic Developments in Africa, 1954-1955* (E/2881) had been of particular interest to his Federation. It should be noted that agricultural production in Africa, on which the standard of living of the indigenous population still mainly depended, was no longer increasing to any marked degree. It had increased by some 45 per cent as compared with the pre-war period. It was true that the proportion of total production earmarked for export had increased, but that had no direct effect on the welfare of the people; moreover, it meant that the increase in production for local consumption had been even less than 45 per cent. The volume of mining production was constantly increasing, but it was questionable whether the profits derived therefrom were invested in Africa for the benefit of the indigenous population. As stated in that part of the introduction dealing with the situation in tropical Africa, prices of minerals had risen while those of agricultural produce had declined, so that the purchasing power of the indigenous population had been reduced while the profits had gone primarily to the Europeans who worked the mines.

24. The report *Economic Developments in Africa, 1954-1955*, also stated that the creation of secondary industries was impeded at once by the difficulty of finding domestic markets, the low purchasing power of the indigenous populations and competition from the industrialized countries, which were flooding the local markets with their manufactured products.

25. Again, the report showed that for Africa as a whole the annual value of imported products exceeded that of exported products by nearly \$1,000,000. Moreover, the exported products were for the most part subject to wide fluctuations, whereas imports comprised mainly manufactured products and foodstuffs.

26. In short, the continent as a whole presented a typical example of inadequate economic development and structural instability.

27. In view of that situation, IFCTU drew the attention of the governments administering African territories and those of the independent African States to the absolute necessity of seeing that the indigenous populations had adequate nutrition both qualitatively and quantitatively, and of promoting the creation of African industries. It was certainly not easy to expand agricultural production in Africa; natural conditions and customs prevented an immediate improvement in the basic structure of agriculture. Efforts already made should be continued and amplified.

28. So far as concerned the development of secondary industries in Africa, the metropolitan governments should take all necessary steps to remove obstacles to industrialization. In particular, profits derived from mining should primarily be invested in strengthening the industrial infrastructure in Africa. At the same time no effort should be spared to ensure the training of African workers.

29. IFCTU was well aware that the metropolitan governments were already making large investments in their overseas territories. In that connexion, it wished to point out that the under-developed territories were not asking the industrialized countries for gifts, but for help to enable them to fend for themselves.

30. He commended the far-reaching activities of the United Nations and the specialized agencies in the economic and social fields. His Federation was gratified to note that the United Nations' economic and social development programmes were continually growing and taking on a universal character. It was generally recognized, however, that the United Nations had paid too little attention to the economic and social situation in Africa. His Federation had on several occasions recommended the setting up of an economic commission for Africa and, at the 907th meeting of the twenty-first session of the Council, had proposed that the Commission for Technical Co-operation in Africa South of the Sahara be integrated with the United Nations and the specialized agencies. The time would appear to have come for the States concerned to take practical steps in that direction. The creation of a regional economic commission for Africa had been proposed by several non-governmental organizations, which seemed to indicate that international public opinion was largely favourable to the proposal. Difficulties would of course arise, but his Federation did not think they would be insurmountable.

31. Lastly, in order to ensure better integration of economic and social progress, his Federation thought it would be desirable to broaden the terms of reference of the regional economic commissions, which should become economic and social commissions.

32. Lord JOHN HOPE (United Kingdom) said that the Economic and Social Council might well recall, on the tenth anniversary of its foundation, that when economic and social thinkers of all political faiths had been looking forward to the post-war world ten or twelve years previously, their minds had been concentrated on the need to eliminate specific evils, such as poverty, squalor and, above all, mass unemployment. While the determination to achieve that object had in no way weakened, the current tendency was to think in much more constructive terms about how best to achieve a sufficiently rapid rate of economic growth. That change of attitude was to be found both in the under-developed and in the more economically advanced countries. The authors of the *World Economic Survey 1955* had done well to emphasize the difficulties besetting the poorer countries in their attempts to raise living standards, but had also been right in saying that there had been a revolutionary change of social climate in many of the under-developed countries during the past decade. Such a change in a very short time and without violent political disturbance was a most hopeful sign for the future. Once a social climate favourable to economic change had been established, the chances of making the best possible use of the resources available was immeasurably enhanced.

33. The United Kingdom Government was watching with great interest the specific example of India, which had recently completed its first five-year plan. Although not all the ends set out in that plan had been fully achieved, real progress had been made in the drive to raise the standard of living of the immense and rapidly growing population of that country. India was now entering the first year of the still more ambitious second five-year plan, which was intended to develop the base of a modern industrial economy. It would not be easy to achieve all the plan's aims within the intended period but the fact that it was being pursued with enthusiasm was an indication of the spirit to be found in most of the under-developed countries.

34. In the more advanced industrial countries also, it was now universally accepted that economic development was a necessary condition for human well-being and for political stability. In the United Kingdom there was a growing sense of the importance of a high level of investment and of its effect upon the standard of living. Manufacturers and business men were becoming ever more aware that they would be able to increase their sales in highly competitive world markets only if they constantly renovated their plant.

35. As the *World Economic Survey 1955* clearly showed, the advances made in the output of the industrial countries since the war had been quite remarkable—all the more so if it were borne in mind how generally it had been believed that the post-war period would be one of economic stagnation under an ever present threat of unemployment on a huge scale.

36. In the event, matters had turned out very differently. The end of the first decade of peace was a fitting moment for the countries represented on the Council to reiterate their sense of gratitude to the United States of America for the imaginative concept and dramatic results of the Marshall Plan. Although the Plan had been concerned primarily with Europe, it had released

dynamic forces which had benefited the whole world. Those forces had proved sufficiently powerful to cause rapid and reasonably steady growth, not only in the industrial countries, but also in the primary producing countries. In fact, the growth had been so powerful that the demand for primary products had kept their prices much higher in terms of industrial goods than they had been for many years.

37. The Secretariat had shown clearly that the shift in the terms of trade in favour of the primary producing countries had been one of the most important features of the post-war world, but more attention might have been paid to the connexion between that change in the terms of trade and certain other features of the world economy. The *World Economic Survey 1955* might perhaps have brought out more clearly the connexion between the "lag" in world trade in primary commodities and the improvement in the terms of trade of the primary producing countries. The volume of world trade in manufactured goods had grown more than the volume of world trade in primary products, partly for the simple reason that it was now necessary to sell a larger volume of manufactured goods to buy a given volume of primary products. It must also be remembered that one of the main reasons why industrial countries were using relatively fewer products than they had before the war was that primary products were now more expensive than they had been. The rapid post-war development of synthetic substitutes and of processes of production which used relatively small quantities of raw materials had been largely the result of the higher cost of such materials.

38. The post-war growth of world trade had in general been very satisfactory. It had taken place in the context of the institutions well described in the concise and factual report on international machinery for trade co-operation (E/2897), which showed clearly the extent of the machinery devoted to the cause of freer trade and payments. Three features of the existing machinery at once caught the attention: first, the immense amount of ground covered, since the Contracting Parties to GATT accounted for more than four-fifths of world trade, while the membership of the Fund was still larger; secondly, the controlled flexibility of the universal code of behaviour embodied in the Fund and GATT, which permitted deviations—under supervision—to deal with certain major problems, such as those of economic development; thirdly, the extent of the co-operation and co-ordination, both formal and informal, between the various institutions concerned.

39. The price that had had to be paid for the economic expansion of the last ten years was inflation. Some of its evil effects appeared fairly quickly in, for instance, the immediate adverse effect on the balance of payments. Some of the other effects were much slower and more insidious in their working, but no less important. There were, for example, the social evil which resulted from the cruel injustice done to those whose incomes were fixed in terms of money, and the real danger that saving might be discouraged and the source of further economic growth thus restricted. The great problem, in short, was how to prevent further inflation whilst at the same time maintaining and increasing the tempo of economic growth.

40. The United Kingdom Government had been most deeply concerned with the problems of inflation, particularly during the past year or two and, although it was taking a long time for the evil to be overcome and the situation was still serious, the measures that had been put in hand were now leading in the right direction.

41. In 1955, the existence of serious inflation in the United Kingdom had been indicated both in the internal and the external economic situation. Internal prices had risen substantially. Externally, the situation had not been at all satisfactory. There had been a current account deficit of over £100 million; all of that deficit had arisen in the second half of the year, which always tended to be the weaker period for the balance of payments. The fundamental reason for that disappointing development had been that the inflation inside the United Kingdom had prevented the country from taking full advantage of world trading conditions, which had been remarkably favourable for the manufacturing countries.

42. During 1956, the United Kingdom's economic position had certainly improved. Internally, there had been a substantial easing of the pressure of home demand which was showing itself in the figures for production, imports and employment.

43. The level of production, after allowing for seasonal changes, had been more or less constant during the past nine months. That did not mean that the industrial situation had been static; in fact, there had been substantial changes between the different industries. The check on industrial production had been in the right places. It had fallen most heavily on the durable consumer goods industries; the greatest declines in output had been in washing machines, gas and electric cookers, and wireless and television sets. On the other hand, industrial investment continued to expand. The output of plant and machinery in early 1956 had been considerably higher than in 1955, and industrial building activity was running at a high level.

44. In brief, there had been some re-deployment of industry, representing a desirable move towards a greater concentration on exports and investment.

45. For the time being, employment in the United Kingdom had ceased to expand and had, in fact, fallen slightly. Unemployment was at a very low level, and the fall in employment was largely to be accounted for by a reduction in the size of the working population, especially through the withdrawal of married women from the labour force. Apart from that change and some reduction in the number of unfilled vacancies, the slackening of economic activity had been reflected mainly in a growth in short-time working and a reduction in the amount of overtime worked.

46. The stabilization of the volume and value of imports in the first five months of 1956 compared with the same period in the previous year was another effect of the easing of the pressure of domestic demand. Over the same period, the volume of exports had risen by about 6 per cent.

47. Largely as a result of that change in the balance of trade, there seemed to have been a considerable improvement in the balance of payments in 1956. That improve-

ment was reflected in the fact that gold and dollars which, in the first half of 1955, had fallen by £27 million, had risen by very nearly £100 million in the first half of 1956.

48. It seemed, therefore, that the long series of counter-inflationary measures taken by the United Kingdom Government was beginning to achieve results. The position, however, had by no means been fully righted. Economic resources were still over-strained, and the rises in wages and prices induced by the boom of 1954/55 had not yet lost their momentum, nor had there yet been sufficient channelling of resources to the export trade to create the continuing balance of payments surplus that was needed.

49. Inflation might almost be called the occupational disease of economic progress. It had always threatened, and would always threaten, any country which accelerated its rate of advance. The fight against it was not an easy one. It involved for both government and people a sharp conflict between desire and duty. If duty was to prevail, as it must, the government must face unpopularity and the people disappointment. The struggle called for the best that was in both, because it could be won only if each was prepared to face the facts. It was the end that mattered, and public opinion, so long as it was fully informed, would undoubtedly accept temporary discomfort as the price of future security.

50. Mr. BOERMA (Food and Agriculture Organization) said that he wished, in the first place, to put before the Council some facts and conclusions concerning the production and consumption of agricultural products, particularly food.

51. In 1955-1956, world agricultural production had increased by about 3 per cent—slightly more than the average annual increase (2.6 per cent) over the past five years—while annual population growth had been about 1.5 per cent. Production in the world as a whole, therefore, was at present keeping well ahead of the increase in population. But the main increase in agricultural production in the year 1955/56 had occurred in the regions suffering most from surpluses: there had been a considerable rise of production in North America for the first time since 1952/53—despite acreage limitations in the United States—and a marked rise in Oceania. Elsewhere increases had been smaller, although the Far East had registered the biggest gain for some years. In the Near East and Africa production had slightly declined, chiefly owing to bad crops. Consequently, production developments in the past year had done little or nothing to reduce the long-standing inequalities between the well-fed and under-fed regions. Analysis of food production on a *per capita* basis showed that in Latin America and the Far East *per capita* food production was still, respectively, 6 and 8 per cent below its pre-war level. Tentative estimates of *per capita* food supplies, on the other hand, showed them to stand at about their post-war level in the Far East, Latin America and also Western Europe, whereas in the other main regions of the world they were 10 per cent or more above their pre-war level. Thus the benefit of increased *per capita* food production throughout the world seemed chiefly to have been reaped in North America and in Oceania, and to a lesser extent in the Near East and Africa. Moreover,

in North America, increased production had gone partly into larger food exports and into stock-piles, whereas the lower *per capita* production in the Far East and Latin America had led to smaller exports and larger imports, which in their turn had had an adverse effect on the balance of payments position of most countries in those regions.

52. Levels and patterns of food consumption had, in general, become much more stable since the early post-war years, reflecting the steady increase in food output. The improvement had taken the form of a better quality of food and variety of diet in the wealthier countries, and of increased consumption of starchy foods in the less developed regions.

53. The situation in the less developed regions was, however, still far from satisfactory. In large areas of the world, such as the Far East and Latin America, most countries had only managed to maintain their previous low consumption levels and poor diets through considerable sacrifice of foreign exchange urgently needed for general economic development. In those countries, emphasis must continue to be laid on measures to increase agricultural production, and a productivity drive was required, extending *inter alia* to the elimination of wasteful marketing practices. It was encouraging to see—among other things, from their increased requests for technical assistance in those fields—that governments were realizing the importance of measures to improve productivity and marketing efficiency. Those were measures which could be taken relatively speedily and which did not necessarily entail high sacrifices in terms of capital investment. As had been repeatedly stated during the debate on item 7 (establishment of a world food reserve), the best remedy for low consumption was economic development.

54. The situation was also unsatisfactory in the wealthier countries, where food consumption had in general reached high levels. Some of them, especially in North America, were being increasingly troubled by agricultural surpluses. While it was true that the addition to stocks in recent years—and perhaps in coming years too—seemed likely to be more modest than previously, owing to production restrictions and to a change in the production pattern, stocks of certain major agricultural commodities had reached a dangerously high level and were still increasing. In 1955/56 the total carry-over of the four main wheat exporters had increased from about 45.8 to 47.8 million tons, almost twice the current annual level of world trade in wheat; the entire increase in world production of coarse grains—6.5 million tons—appeared likely to be added to stocks, thus increasing the North American carry-over to some 44 million tons; and cotton stocks were expected to rise from 4.4 to nearly 5 million tons. Such huge stocks constituted a considerable danger to the world economy, despite the fact that their holders, particularly the United States, had been exercising commendable restraint in their endeavours to dispose of them; for surpluses were a structural problem, with which mere disposal measures could not adequately cope. That was a fact which the governments concerned were increasingly realizing: the “Soil Bank Proposals” in the United States represented an important step in the right direction.

55. The second question with which he wished to deal was world trade. The volume of world trade in agricultural commodities had increased by about 5 per cent in the past year, after having stagnated for some time at its pre-war level. About 60 per cent of the increase had been due to larger imports into Western Europe; 30 per cent to increased imports into North America, though the latter had not regained their 1953 level; and the remainder to increased imports into Oceania, Africa and the Near East. The main export gains, on the other hand, had occurred in Oceania, Western Europe, the Far East and Africa, export increases in other regions being rather small—although in 1956 North American exports appeared to have been making some headway.

56. However, considering that the volume of world trade, as a whole, was more than 70 per cent above the 1934-1938 level and over 50 per cent above the level of the late 1920's, the corresponding figures for agricultural commodities—5 per cent above and nearly 10 per cent below, respectively—were rather disappointing. Furthermore, owing to the continuing fall in prices, the 5 per cent increase in agricultural trade during the past year corresponded to only a 1 per cent increase in value. Nor was that all; for average prices of manufactured goods had risen, also by about 1 per cent, in the course of the year, so that the increase in the total purchasing power of agricultural exports in 1955/56 had in point of fact been practically nil.

57. The research conducted by the Food and Agriculture Organization (FAO), as well as the data of the *World Economic Survey 1955*, showed that the above-mentioned discrepancy between world trade in agricultural commodities and world trade in manufactured goods certainly was not due to a corresponding movement of relative prices of these two categories of goods. Detailed trade statistics on a commodity-by-commodity basis indicated that a crucial factor in determining the level of world trade in a particular agricultural commodity was whether it could be grown economically in the main industrialized countries, or replaced by substitutes. The increase in world demand due to growth of populations, industrial production and *per capita* incomes since the war had produced a marked expansion of trade in commodities like coffee, which could not be economically grown at home or replaced by substitutes. Where, as in the case of rubber, butter or oil cake, some degree of replacement was possible, the expansion of world trade had been more limited; and commodities like cereals or livestock products, that could be produced at home more or less economically, had registered no expansion. The operation of that law had no doubt been intensified recently both by national policies of self-sufficiency, aimed at correcting an imbalance of foreign payments, and by price-support policies, which were primarily designed to stabilize farm incomes but might in addition have stimulated domestic agricultural production.

58. While the foregoing remarks on world trade were of a purely tentative character, further detailed research on the subject being necessary, they might be helpful to governments which were planning an increase in agricultural production, particularly where the increase was intended for export.

59. The third problem to which he wished to draw the Council's attention was that of the growing discrepancy between the level of farm incomes and the level of incomes in general. FAO's data showed that there had been a general decline in farm incomes between 1954 and 1955, except in Italy and Japan, where there had been small gains, chiefly due to exceptionally good crops. In most countries for which data were available—that is to say, in the main for the economically more developed countries—people dependent on agriculture had become steadily less prosperous, in relation to other sectors of the population, than they had been at the peak of the post-war period, and that despite the fact that the number of people dependent on agriculture had decreased.

60. The decline of farm incomes had been chiefly due to unfavourable changes in relative prices. In about half the countries for which information was available, the relation between prices paid and received by farmers had remained stable, while in the others it had moved against farmers, to a greater or lesser extent. Prices received by farmers for arable crops had in general declined from the 1952 peak, and although prices of livestock products had shown no general fall in Europe, they had tended to become weaker in the United States and Australia. As against that, the prices of important input items, like fuel for machinery, and the maintenance and repairs of machinery and buildings, had shown rising tendencies in nearly all countries; farm labour costs had also risen as a result of higher wages or improved conditions of employment.

61. It would appear that, with price relations moving against farmers, incomes could only be maintained if the volume of production rose sufficiently to offset the adverse price movement. Although in most countries farm incomes barely provided a living for the farmer and his family, they would have undoubtedly fallen much lower still but for the systems of price support which many countries had introduced. To increase the existing level of support for farm prices would be dangerous both nationally, in view of the inflationary tendencies price support created, and internationally, owing to its possible adverse effects on international trade. In some countries the governments were helping farmers by subsidizing the costs of certain of their means of production, such as fuel and agricultural machinery. Of more fundamental importance, however, was the financial and other assistance given to farmers in certain countries to bring about more lasting improvements in their farms through irrigation, terracing, soil improvement and the like. Steps to improve the social status of the farmer, such as land reform, were also of great importance. Such long-term measures attacked the root of the problem—namely, farm productivity, which still left room for considerable improvement in nearly all countries.

62. None of the three sets of problems to which he had drawn attention was susceptible of a quick and easy solution. But they were not insoluble, and there was evidence to show that governments in all parts of the world were embarking on far-reaching measures to tackle them. Many governments had recently created machinery for planning agricultural development as an integral part of general economic development, and others were in the course of doing so. There was, in

addition, an increasing realization among governments of the need for consultation on the international effects of national policies—a great improvement over the situation obtaining before the war. It was necessary to promote international co-ordination of national policies in three ways: generally, by regions, and by commodities.

63. The problems of international commodity policy, to which the Secretary-General had made interesting references in his statement, were of particular importance in that respect, whether such policies related to production, consumption, trade, prices or stocks of products entering international trade. He hoped to have an opportunity to take up various points raised by the Secretary-General during the discussion on item 6 (international commodity problems).

64. Mr. SAVARY (International Federation of Agricultural Producers), speaking at the invitation of the PRESIDENT, said that the *World Economic Survey 1955* substantially confirmed the fears he had been instructed to put before the Council with regard to the situation of agriculture. The concern felt by the organizations of agricultural producers was now shared by the United Nations Secretariat and no doubt also by many governments which had recently been faced with demonstrations of dissatisfaction that on the part of farmers were unusual.

65. That dissatisfaction, which was sufficiently widespread to merit the Council's attention, was essentially due to a divergence in the evolution of costs and prices, aggravated on the one hand by inflationary tendencies and on the other by the existence of agricultural surpluses. Such a trend could not continue for long without creating serious political and economic difficulties, particularly at a period when the farmer saw other sections of the population steadily consolidating their own economic security.

66. It would be vain to believe that there were any easy solutions to the problem. Urbanization and increased productivity were not universal remedies, and in any event their effects were much slower than was frequently thought. In fact, increased productivity, to which the producers' organizations had largely contributed, was to a large extent the cause of the present malaise; for it had led to production of an increasing volume of goods for which there were no markets, since the demand for foodstuffs was already at its peak. The producer thus saw his own efforts turning against him and the remuneration he received for his labours shrinking still further. Agricultural work was already the worst paid in the modern world, as was brought out by an FAO pamphlet on agriculture in the modern economy. It was, however, desirable that the question of agricultural income should be more fully examined in the world economic surveys.

67. If such was the situation of agriculture and agricultural producers at a time of general prosperity, it might be asked what would happen in the event of even a minor depression, particularly after the general application of modern improvements had still further swollen the volume of agricultural production. Some economists counted on more rapid reduction in the number of farmers; that, indeed, was the trend in countries in process of industrialization. But while in a few countries a shift

of agricultural workers into industry might quickly lead to a better balance among the social groups, in most countries, particularly in Western Europe, industrialization could hardly bring about a solution speedily enough to avoid the setting up within the national economies of differences between town and country similar to those they were trying to diminish between nations. In any event, such shifts involved a financial burden that could be absorbed only gradually by the economies of most States.

68. The International Federation of Agricultural Producers (IFAP) therefore urged governments and public opinion to realize the scope and the seriousness of the problems raised by the recent evolution in the agricultural situation. It seemed that, although the majority of governments had taken certain steps to free agricultural producers from a really intolerable burden, few of them had recognized the proper and logical place of agriculture or had adopted an agricultural policy that took account of the realities of demand, competition, their own commercial policies and the requirements of full employment.

69. Nevertheless, governments had perhaps even greater responsibilities towards agriculture than towards other sectors of the economy. After curbing the rising trend of agricultural prices when agricultural products had been in short supply, they had urged farmers to expand production. They naturally encouraged the use of modern technical methods and intervened frequently on the

national and international markets, where the lack of co-ordination between them merely added to the confusion. Lastly, they failed only too often to do what they should to improve the people's diet.

70. World opinion, however, was gradually becoming aware of the magnitude of present agricultural problems, the urgency and gravity of which could not be over-emphasized. FAO appeared to have now embarked upon a more constructive study of production and price policies with the full support of governments. The Director-General of the International Labour Office had drawn the attention of governments to the urgency of the problems raised by changes in the economic structure in rural areas; and the United Nations was about to take up the problem of the use of solar energy.

71. During the past ten years, IFAP had adopted a series of resolutions calling for more energetic international action to ensure relatively stable prices for agricultural produce on international markets. As little had been done in that direction, however, the observations of the Secretary-General on that subject were particularly welcome. The Federation hoped that the United Nations would keep prominently in mind the question of more stable prices for commodities. In its search for, and application of, effective measures in that field it could count on the support of producers' organizations.

The meeting rose at 12.35 p.m.