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World economic situation (E/2193/Rev.1, E/2193/Add.1 and Corr.1, E/2193/Add.2 and Corr.1 and E/2193/Add.3 and Corr.1) (*continued*) 155

President: Mr. S. Amjad ALI (Pakistan).

Present: The representatives of the following countries:

Argentina, Belgium, Canada, China, Cuba, Czechoslovakia, Egypt, France, Iran, Mexico, Pakistan, Philippines, Poland, Sweden, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay.

Observers from the following countries:

Chile, Netherlands, Turkey, Yugoslavia.

The representatives of the following specialized agencies:

International Labour Organisation, International Bank for Reconstruction and Development, International Monetary Fund.

World economic situation (E/2193/Rev.1,¹ E/2193/Add.1² and Corr.1, E/2193/Add.2³ and Corr.1 and E/2193/Add.3⁴ and Corr.1) (*continued*)

[Agenda item 3]

General debate (continued)

1. Mr. HSIA (China) associated himself with the tributes paid to the high quality of the Secretary-General's report (E/2193/Rev.1) entitled *World Economic Report 1950-51* and congratulated Mr. Owen, Mr. Weintraub and their colleagues on the manner in which they had carried out a difficult task.

2. In the first part of his statement he would supplement and bring up to date the information on Taiwan (Formosa) contained in the Secretary-General's report (E/2193/Rev.1, chap. 3, section B), since, owing to lack of space, that information was necessarily general and incomplete. The report had contained the following statement:

"Developments in Taiwan represent a special case among the countries of this group in that the situa-

tion was dominated by the problem of intense inflation associated with the financing of the budget deficit. In 1950 government revenue was sufficient to cover only about three-fifths of government expenditure, leaving a deficit amounting to about 15 per cent of the national income."

3. It should, however, be explained that the budget deficit and inflation were entirely due to the fact that, with a population of about 9 million, Taiwan had to support an armed force of over half a million men for its own defence. It was remarkable that it had succeeded in doing so and in gaining a measure of economic stability.

4. Three factors had been responsible for the fact that, instead of losing ground, Taiwan had made progress towards economic stability during 1951. The first had been the Government's strict control of expenditure and its determination to achieve a balanced budget. The second had been the assistance given by the Mutual Security Agency and its predecessor, the Economic Co-operation Administration. ECA supplies had amounted to about \$US20,000,000 in 1950 and the total value of ECA shipments arriving in 1951 had amounted to \$US56,621,030, a high figure in comparison with the value of total imports—\$US84,318,611. ECA supplies had been of great assistance to the Taiwan economy during 1951. As the report of the Mutual Security Agency had pointed out, counterpart funds generated by salable MSA commodities had closed the gap created by heavy military expenditure and had met the local currency costs of MSA projects, while MSA imports had closed the foreign exchange gap.

5. The third and, from the Council's standpoint, the most important factor had been economic development. The year 1951 had been generally satisfactory from an economic point of view. Although budgetary difficulties had persisted and the note issue had increased by 50 per cent during the year, inflationary forces had been effectively checked. Agricultural production had been highly satisfactory, the rice crop having produced a surplus, and commodity prices had been kept within bounds. The foreign trade account had had a favour-

¹ United Nations Publications, Sales No.: 1952.II.C.4.

² United Nations Publications, Sales No.: 1952.II.C.1.

³ United Nations Publications, Sales No.: 1952.II.C.2.

⁴ United Nations Publications, Sales No.: 1952.II.C.3.

able balance, while ECA supplies had considerably increased and had compensated for the deficiency in imports. Appreciable progress had been made in the reconstruction of industry, communications, agriculture and forestry.

6. As his Government was fully aware, however, the long-standing causes of economic instability were still present. The failure of wages and salaries to keep pace with rising commodity prices had resulted in low administrative efficiency, while the general shortage of working capital in almost all industries had tended to keep the rate of interest in the open market high. The budget deficit had always constituted a latent inflationary pressure on the economy.

7. Taiwan's production figures, of which it could be justly proud, had shown further increases over those of 1950, except in the case of sugar. ECA aid in the form of extensive supplies of essential commodities such as fertilizers, raw cotton and crude oil and of technical assistance had contributed greatly to that achievement. The hostilities in Korea had also stimulated over-all production; while they had led to stockpiling and export restrictions in many countries, they had acted as a stimulus to Taiwan's production and exports. Government encouragement and assistance to industry had also contributed to increased production. To give some examples of the increases, the production of rice had risen from 1,420,000 metric tons in 1950 to 1,480,000 metric tons in 1951, the production of gasoline from 31,000 litres in 1950 to 50,000 litres in 1951 and the production of electric power from 1,040,000 MWH to 1,285,000 MWH.

8. Where reconstruction was concerned, the most outstanding achievement had been in the field of irrigation, for which purpose the Provincial Government had allotted 30 million National Taiwan dollars in its 1951 budget. More than 100 projects had been financed with that sum, many of which had been completed, while others were still in the construction stage. As a result the irrigated area had been increased to 620,000 hectares as against only 560,000 during the Japanese occupation. Substantial increases in electricity supply had also been achieved in 1951 with the completion of the U-lai power plant, which had a generating capacity of 11,200 kilowatts, and the repair on the Li-wu power plant, which had a generating capacity of 16,000 kilowatts. Work was in process on the Tien-lung power plant, which would have a generating capacity of 26,000 kilowatts. As a result of the completion of a transmission line, the surplus power of the east of the island was being routed to the west.

9. Rehabilitation of the fishing industry was being undertaken under Government auspices and with the co-operation of the Economic Co-operation Administration. New fishing equipment and fishing boats had been provided and the old equipment repaired; technical information had been made available to fishermen. Though still unequal to the domestic demand, the fish catch of 1951 had been double that of 1950.

10. In industry, the most significant development in 1951 had been the expansion of the cotton-spinning and weaving factories. The number of spindles had increased from 40,000 to 80,000 and the monthly production of cotton yarn had increased to about 5,500

pieces. Fertilizer plants had also been expanded and a new plant with an annual production capacity of 16,000 tons had been built.

11. Taiwan's foreign trade account had had a favourable balance in 1951. According to the figures of the Bank of Taiwan, which were based on the foreign exchange bought and sold during the year and not on customs figures, imports had totalled \$US84,318,611 and exports, \$US93,134,615. The favourable balance had been due not so much to increased exports as to reduced imports.

12. With regard to Taiwan's exports in 1951, sugar exports had fallen from \$US74,000,000 in 1950 to \$US49,000,000 in 1951. Rice exports, on the other hand, had increased from \$US2,870,000 in 1950 to about \$US15,000,000 in 1951. Exports of tea, bananas, canned pineapple and feathers had also increased.

13. In view of the fact that the Secretary-General's report had mentioned sugar production, some explanatory comments were desirable. Sugar was one of the two main items of agricultural production in Taiwan and the fall in sugar production to 350,000 metric tons in 1951 had been a heavy blow to its foreign exchange position. Every method had been used to increase production for the 1951-52 and 1952-53 crops. With the latter crop more particularly in view, loans to sugar-cane growers had been supplemented from the Counterpart Fund; such loans played an important role in expanding the area under cultivation. It was estimated that the 125 new wells, in which substantial funds had been invested, would produce an additional 5,000 metric tons of sugar. It had been suggested that Taiwan should increase sugar production to the level of its milling capacity and it might equally well be suggested that it should manufacture its total requirements of commercial fertilizers. Limited financial resources, however, obviously acted as a brake on the achievement of those goals, as did the competing claims of rice and sugar for the land under cultivation. In view, however, of the rising price of rice and the declining price of sugar in the world market, the Government's decision to limit the acreage under sugar to 100,000 hectares had been wise.

14. With regard to Taiwan's foreign trade in 1951, exports, totalling \$US93,134,615, had included sugar to the value of approximately \$US49,000,000, rice to the value of \$US15,000,000, tea to the value of \$US6,600,000 and salt to the value of \$US3,000,000. Taiwan had imported chemical fertilizers to the value of approximately \$US4,500,000, milk and milk products to the value of \$US1,600,000, raw cotton, cotton-yarn, piece-goods and products to the value of \$US8,000,000 and hide and leather to the value of \$US1,000,000. Total imports had amounted to \$US84,318,611. Taiwan had continued to trade actively with Japan during 1951, Japan having taken about 41.65 per cent of Taiwan's exports and supplied 47.35 per cent of its imports. The United States and the Latin-American countries had taken 24.33 per cent of Taiwan's exports and supplied 18.05 per cent of its imports. There had also been substantial trade with Hong Kong.

15. Before concluding, he felt bound to comment on the section of the report dealing with Centrally Planned China (E/2193/Rev.1, chap. 2, section B) and more particularly on the penultimate paragraph on page 35.

The first three sentences of that paragraph read as follows: "Before the reform, about one-half of the land was owned by landlords, who rented it to tenant farmers. These farmers and hired labourers constituted about two-thirds of the rural population. As a result of land redistribution, a large proportion of the population have become independent peasants." Since the question of land reform was such an important part of the economic programme of the régime in control of the mainland of China, it was desirable that the relevant information in the report should be as accurate and objective as possible. As it stood, the paragraph might easily give an incorrect impression, which its authors had assuredly not intended.

16. The wording of the first sentence implied that a situation in which one-half of the land was owned by landlords was obviously wrong and unjust and provided justification for reform. If, however, the reader was informed whether one-half of the land was owned by ten families or by 10 per cent or 30 per cent of the population, the situation might appear in a completely different light. The first two sentences were also difficult to follow from an arithmetical point of view. If about two-thirds of the rural population were employed to cultivate the one-half of the land which was owned by landlords, one-third of the rural population was left to cultivate the other half of the land. That might, of course, be feasible on the highly doubtful assumption that the one-third of the rural population, which presumably cultivated its own land, worked twice as long as the two-thirds of the population which cultivated the land owned by landlords.

17. The Secretary-General's report gave no indication of the source of the statement that "about one-half of the land was owned by landlords". According to *Land Utilization in China* by Dr. John Lossing Buck, who had made an intensive study in 1944 of Chinese land ownership, 56 per cent of the farmers owned their land, 23 per cent were part-owners and only 21 per cent, tenants. Reporting in June, 1947, the Sino-United States Agricultural Commission, which had been set up jointly by the United States Department of Agriculture and the Chinese Government in 1946, had estimated the proportion of tenants at 30 per cent. It might be pointed out in passing that the proportion of tenants was 42 per cent in the United States and as high as 75 per cent in the United Kingdom.

18. The term "independent peasants" used in the third sentence of the paragraph, was difficult to understand. While some of the peasants might admittedly be a little better off, it was going too far to state that they had attained independence. While they had been given a plot of land to cultivate, they did not own nor could they sell the land, which belonged to the State, and they had to work harder than before to produce the quota of crops required of them. The use of the word "independent" implied that the peasants had not been free before; China had never, however, had slave-peasants or serfs throughout its long history.

19. He had made his comments as objectively as possible in the hope that the Secretary-General might see his way to make certain minor textual changes in the report. Misconceptions regarding the background of

the agrarian reform movement in China were widespread. According to Herrymon Mauzer, a distinguished writer on the subject, one such misconception was that the basic economic and social problem in China was feudalism and that the basic need was the division of land. History refuted that view. By the end of the fourth century B.C., Chinese farmers had already owned their land and feudalism had been abolished in the following century. Primogeniture had been abolished before the beginning of the Christian era and the development of large land-owning classes or hierarchic orders on the Japanese and European models was all but impossible. The clamour for land reform had the fault not only of echoing communist propaganda but of distracting attention from other and more urgently needed reforms such as increased production, the improved use of land and so on.

20. Mr. NOSEK (Czechoslovakia) stated that the current world economic situation presented the Council with far more serious difficulties than in previous years. The world economic situation was characterized by two main features.

21. On the one hand, the USSR and the peoples' democracies, acting in the interests of the working masses, were developing their economies peacefully and systematically and raising the standards of living of their peoples at an increased rate. They were contributing to the maintenance of international peace and security.

22. On the other hand, the United States and other capitalist countries, motivated by the interests and the desire for profits of the capitalists and great monopolies, were implementing intensive armament programmes and, at the same time, lowering the economic and social standards of the working masses. By their armaments race and their preparations for a new aggressive war, those countries were making the economic development of the under-developed countries impossible; they were threatening world peace and undermining international security.

23. The economies of such countries, particularly of the signatories of the aggressive North Atlantic Treaty, were rapidly developing along the lines into which they had been led by their subordination and the subordination of their domestic and foreign policies to the armaments race and preparation for a new world war.

24. That situation necessarily entailed a decline in production for civil consumption and was basically connected with the increased taxation which affected the working masses primarily; it led to an increase in the prices of consumer goods and to an even more intensive exploitation of the workers. The situation could not be camouflaged by the *World Economic Report 1950-51*. The Czechoslovak delegation, while appreciating the work involved in preparing the report, had certain reservations to make about its contents.

25. The first and basic weakness of the report was that it had been drafted exclusively from the point of view of the so-called "capitalist economy". That necessarily gave an unbalanced picture of the world economic situation, which could not be used to solve current economic problems. One major deficiency of

the report was that it refrained from comparing the economic development of the capitalist countries with that of the countries with planned economies. The report failed to distinguish between merely temporary difficulties and more permanent phenomena which illustrated the inability of the capitalist economic system to solve current economic and social problems and which proved that the capitalist economy, in attempting to solve its crises by resorting to the armaments race and to war, was decadent.

26. The report dealt very sketchily with the frantic armaments race and did not provide a critical analysis of the way in which rearmament systematically lowered the living standard of the workers. Nor did it point out that rearmament was the main reason for the inflationary pressure, which, together with increased taxation and a higher cost of living, resulted in a decline in the general standard of living of the working masses.

27. Another deficiency of the report was that it failed to analyse the international economic aggression initiated by the United States of America, whose foreign policy included the economic and political domination of the world. One method employed by the United States in implementing that policy was to discriminate against the USSR, the People's Republic of China and the other peoples' democracies in the economic field. The United States was unscrupulously forcing its so-called allies, against their own interests, to limit and to break off their trade relations with the Soviet Union and the peoples' democracies.

28. The report referred to certain facts indicative of the discriminatory policy pursued by the United States, but failed to draw the necessary conclusions and to show that such discrimination was harmful to the European economy and that it undermined world economic stability. By its careful wording the report disguised the basic objectives of the discriminatory policy of the United States, which aimed, *inter alia*, at consolidating the economic and political dependence of the North Atlantic Treaty Organization countries and other Western European countries on the United States and at disrupting normal economic relations between Western Europe and the democratic peace-loving countries. He felt that the Secretariat should devote greater attention to those facts and should draw the obvious conclusions. Otherwise the report would remain partial and would never constitute an adequate basic document for discussing the world economic situation in the Council.

29. Inflation was the crucial current problem in the economy of the capitalist countries. The essential step in combating inflation was to increase production in civil industry and to expand the volume of trade, but the economies of the capitalist countries in 1951 and 1952 were developing in the opposite direction. The production of consumer goods had been cut and international trade was impeded by the discriminatory policy imposed by the United States on countries depending on it.

30. The report dealt on various occasions with inflationary trends in the capitalist countries, but ignored the facts which had led those countries into inflation and which tended to increase the inflationary spiral even further. The report did not point out that the Marshall Plan, the North Atlantic Treaty

and the United States aggression in Korea had led to an upheaval in the economies of the capitalist countries, had undermined their currencies and had lowered the purchasing power of the working masses.

31. The *International Financial Statistics*, published by the International Monetary Fund, illustrated the tremendous depreciation in the currencies of capitalist countries: in June 1951 the depreciation of the United States dollar had reached 47 per cent; in the same period the depreciation of the pound sterling had been 48.5 per cent, of the French franc 94.6 per cent and of the lira 98.1 per cent.

32. The report entitled *Recent Changes in Production* (E/2193/Add.1) quoted some examples which proved how the production of consumer goods, so essential in controlling inflation, was restricted in the capitalist countries. According to the *United States News and World Report* of 15 February 1952, the production of motor cars in the United States, compared with maximum production in 1951, had dropped by 49 per cent at the beginning of 1952. The decrease in the manufacture of radio and television sets was 59 per cent, of domestic appliances 37 per cent, of furniture 18 per cent, of cement 13 per cent, of glassware 26 per cent, of woollen goods 33 per cent, of synthetic textiles 30 per cent, of cotton 22 per cent and of footwear 27 per cent.

33. The other capitalist countries, whose economies were subordinated to the aggressive policy of the United States, were similarly affected. According to *The Economist* of 5 April 1952, for example, the index of production in the United Kingdom in February 1952 had been 148 to 149, whereas the figure for January 1951 had been 151. On 15 March 1952 *Le Monde* had stated that American industrial progress, the shortage of dollars, the reduction of East-West trade and the reappearance of German and Japanese competition were important factors which had contributed to the fact that the deficit in the United Kingdom balance of payments for 1952 had exceeded estimates by £400 million, while its dollar and gold reserves had dropped from £835 million at the end of 1951 to £628 million at the end of February 1952. The decision by the Commonwealth countries to cut their imports drastically in order to balance their accounts would have a further detrimental effect on United Kingdom industry.

34. The drop in the production of consumer goods was also affected by the raw material situation. Not long previously reference had been made to a shortage of raw materials, whereas, at the moment, the drop in the prices of raw materials was considered a sign of economic crisis. The United States pursued a policy of strategic stockpiling not entirely divorced from speculation; its efforts to control the production and distribution of essential and strategic raw materials had been the very basis of its expansionist economic policy during and since the Second World War.

35. The United States did not, however, restrict itself to the accumulation of strategic reserves. The huge quantities of raw materials in American warehouses constituted a threat to the raw materials market. The United States could cut its purchases of raw materials or dump a part of its reserves on the world market. In either case the effect on countries produc-

ing raw materials, particularly the under-developed countries, was clear: prices would fall, surpluses would accumulate, production would decrease and chaos would ensue.

36. The report occasionally referred to the decline in the standard of living of the workers in the capitalist countries resulting from the militarization of their economy, but it limited itself in the main to general and theoretical considerations and omitted specific details illustrating the catastrophic effects which war preparations were producing on the standard of living of the working masses. It mentioned the disproportion between the increase in national productivity and consumption, between the increase in salaries and wages and national revenue and the increase in taxation falling on the workers in the capitalist countries. In chapter 1, for example, it was stated that, in every capitalist country, the production of consumer goods had fluctuated very considerably not because of the shortage of basic raw materials but because of insufficient demand and that consumption in the United States had dropped by 1.5 per cent in 1951, while the gross national product had increased by 8 per cent.

37. In the booklet *What we need*, published by the United Electrical, Radio and Machine Workers of America, it was stated that *per capita* food consumption in the United States of America, in the period 1946 to 1951, had dropped by 5.3 per cent, meat consumption by 10 per cent, consumption of dairy produce by 6.6 per cent, of fresh fruit by 13.9 per cent, of fresh vegetables by 7.4 per cent, of flour by 14.7 per cent and of coffee by 17.6 per cent.

38. The other capitalist countries were in a similar position, rendered even less encouraging by the fact that the standard of living of the masses had already been lower than in the United States. The increase in prices and the decline in consumption and in living standards for the working masses in the capitalist countries was in sharp contrast to the constant decrease in the price of consumer goods in the Soviet Union, where prices had been cut five times between 1948 and 1952. In the review *Notes et études économiques* published by the Economic and Social Study and Research Centre, a comparison had been drawn between price trends in France and in the Soviet Union: the prices of consumer goods in the Soviet Union had been cut by 28 to 78 per cent, whereas in the same period the prices of the same goods in France had increased by 25 to 435 per cent.

39. The French Government was endeavouring to stabilize and lower prices but at the same time it was attempting to freeze wages. The reaction of the French workers to that policy was illustrated in a communication published in *Le Monde* of 25 April 1952 to the effect that the Confédération générale des syndicats indépendants had strongly opposed the wage freeze and had considered that the purchasing power of wage-earners could and must be improved in view of the increase in production and the disproportion between wages and prices since 1951. At the same time the most important French trade-union organization, the Confédération générale du travail, had strongly opposed the bluffing campaign about the decrease in prices and the violent effort of the Government and

employers to freeze wages. The series of strikes which had shaken the French economy was proof of the solidarity of the working class in the fight to improve its living conditions and showed that the decisions of the trade-union organizations were based on popular and enthusiastic support. The rapid rise in the profits of capitalists, capitalist companies and monopolies contrasted sharply with the decline in consumption and in the real value of wages. According to United States fiscal statistics, the gross profits of all United States companies had reached the figure of \$US44,800 million in 1951 as against \$US6,900 million in 1949.

40. In the United Kingdom, wages and salaries, according to the *White Paper of National Income and Expenditure*, had increased by only 25 per cent since 1948, whereas capitalist profits had increased by 49 per cent during the same period.

41. In France, while the people were constantly confronted with economic crises, French capitalists were drawing greatly increased profits. According to the review *Notes et études économiques* of 28 January 1952, the profit of sixteen large French companies had increased from 1,853 million francs in 1950 to 2,874 million francs in 1951.

42. Similar increases in profits had been registered in the case of Italian, Dutch, Belgian and other capitalists and monopolies.

43. Yugoslavia offered a striking example of a country whose economy was plunging into an abyss, at the command of the United States, in its preparations for an aggressive war. The incomplete references to Yugoslavia in the report were still sufficient to show that the Yugoslav economy was bankrupt. According to the report, Yugoslav industrial production in 1950 had been only 86 per cent of the level planned and the food situation had deteriorated noticeably. After the failure of the plan in 1950, the Yugoslav Government had been obliged to defer its completion until 1952. Investments, already smaller in 1950 than in 1949, had decreased by 25 per cent in 1951 and by 20 per cent in 1952.

44. The *World Economic Report 1950-51* did not explain that the Tito clique was spending enormous amounts on rearmament, on building up an army and the Rankovic police force, nor that the Yugoslav Government was constantly increasing taxes, railway rates, rents, public service costs and the price of medicaments. The report also failed to point out that the Yugoslav people, betrayed by Tito's policy of associating Yugoslavia with the aggressive plans of the United States of America, was suffering from hunger and want.

45. It was obvious that Yugoslavia should not have been listed, even for the sake of form, in chapter 2 of the report, dealing with the economic situation of countries with centrally planned economies.

46. The fundamental difference between countries with planned economies, such as Czechoslovakia, and countries with capitalist economies was outlined in the introductory sentences of chapter 2 of the *World Economic Report 1950-51*. The report further stated that the important increase in the national income of the countries with planned economies during 1950-1951 had been due mainly to a considerable growth in industrial

production. The report also mentioned that consumption in the Soviet Union and in the peoples' democracies had increased in 1950-1951.

47. In spite of all the efforts by the United States imperialists to impede the peaceful reconstruction of the Czechoslovak economy, in spite of the economic discrimination exercised by the United States against Czechoslovakia in foreign trade, in spite of the attempts to set up an economic blockade in Czechoslovakia's relations with Western European countries, Czechoslovak production had increased on an unprecedented scale which would have been impossible in pre-war capitalist Czechoslovakia.

48. Czechoslovak industrial production had increased in 1948 to 108 per cent, in 1949 to 126 per cent, in 1950 to 145.6 per cent and in 1951 to 160 per cent of the 1937 figure. There had been a similar increase in the national income of Czechoslovakia, as indicated in table 10 in the report (E/2193/Rev.1).

49. One fact which illustrated the increase in the standard of living of Czechoslovakia was that the wages fund had ever-increasing resources at its disposal. The total amount of wages and salaries had more than doubled in five years. It had risen from 40,000 million crowns annually in 1946 to 85,000 million in 1950. In its 1952 budget, Czechoslovakia was apportioning twice as much for cultural and social projects as for national defence and security. Twenty-eight per cent more than in 1950 was being set aside for education, while special amounts were reserved for investments in the construction of new school buildings. Budgetary expenditure for higher education was 50 per cent more than in 1951. An even greater amount had been earmarked for the building and maintenance of nursery schools. Those increases were accompanied by simultaneous increases in the subsidies for school children and students: budgetary expenditure on subsidies for university students in 1952 had increased by 44 per cent as compared with 1951 and by 87 per cent in the case of school children.

50. State expenditure on public health had increased in 1952 by 113.8 per cent as compared with 1951.

51. The economic success achieved by the Czechoslovak people was largely due to the friendly and disinterested assistance of the Soviet Union, which had offered its generous support in the economic, social and cultural fields since the liberation.

52. In 1947 the fraternal and effective assistance of the Soviet Union had saved the Czechoslovak people from famine when the country had been scourged by an unprecedented drought.

53. The USSR placed its valuable experience in socialist development at the disposal of the workers of Czechoslovakia. Thanks to that experience Czechoslovakia was adopting new working methods by applying the new socialist technique and increasing productivity. The technical assistance provided by the Soviet Union made it possible to expedite the peaceful development of industry and agriculture.

54. The Soviet Union also placed its rich experience in progressive science at the disposal of the Czechoslovak people. Czechoslovakia would have been unable to achieve such great historical success in the cultural field without the generous assistance of the Soviet Union.

55. The general picture was the same in the other peoples' democracies, which were intent on raising the standard of living of their inhabitants. Historic success had been achieved in 1951 by the People's Republic of China, where, by planning and co-ordinating production, the Chinese Government had manufactured its first tractors, buses and agricultural machinery.

56. The 1951 plan for the coal industry had been exceeded by 54 per cent, which meant an increase in extraction of 56 per cent as compared with 1950. The electric power production plan had been 102.2 per cent fulfilled, and that of the iron and steel mills 120 per cent. Cement production had increased 174 per cent over that of 1950.

57. The People's Republic of China had achieved remarkable success in agricultural production in 1951, when grain cultivation *per capita* had amounted to 250 kilogrammes. That had enabled China to export 516,000 tons of grain in 1951 to aid the people of India, who were suffering from famine.

58. To prevent the catastrophes which had been one of the main causes of famine in the country, the People's Republic of China was constructing huge hydraulic power stations and dams. The bed of the river Huanhe had been dredged over a length of 770 kilometres. Dams had been repaired and constructed along a 1,800 kilometre stretch and fifty-six new concrete projects were under construction.

59. The national shops had sold 200 per cent more textiles in 1951 to the rural population than in 1950; the figures for salt and coal were 350 per cent and 75 per cent respectively. At the end of 1951 the People's Republic of China had practically completed its historic agrarian reform and had thus improved the welfare of millions of Chinese farmers.

60. One of the basic reasons for world economic instability and one of the main obstacles in the way of the normal economic development of the Western countries was the rearmament policy of the United States, together with its political and military aggression and economic expansion. That was also the reason for the current deterioration in normal international economic relations. The indispensable condition for any improvement in the economic situation of the Western European countries was the maintenance of normal economic relations with Eastern Europe. That fact was recognized by many Western European politicians and economists.

61. The propaganda of the State Department, which asserted that trade relations with Eastern Europe were unimportant and could be dispensed with, had recently brought a crushing reply from the ex-President of the British Board of Trade, Sir Hartley Shawcross. In the November 1951 edition of the *United Nations World*, Sir Hartley had written that the position of the United Kingdom in East-West trade was wholly different from that of the United States because of the importance of that trade to the United Kingdom. He had further stated that to deprive each part of Europe of the resources of the other would not put an end to communism but that it might merely depress the economic welfare of both parts without giving either relative advantage.

62. Arthur Bottomley, a member of the British House of Commons and former Secretary of the Board of Trade, had stressed, at a rally of the Kent Labour League of Youth, that the most natural markets for the United Kingdom and the Commonwealth countries were in the East and that the United Kingdom should not allow political expediency to damage its long-term interests.

63. The *Christian Science Monitor* of 7 January 1952 had appreciated the importance of the Moscow Economic Conference when it had stated the following:

“The United States’ European Allies are all suffering economically from the post-war blockade of East-West trade. Their dependence on American economic aid is primarily a result of this blockade. Were the barriers removed and were European manufactured products again to flow eastward in return for Eastern raw material, it is probable that Western Europe could swiftly regain its independence from American economic aid.”

64. A French Press agency, the *Service économique et financier*, had stated, on 5 January 1952, with regard to the Battley Act, that, according to statistics of the Economic Commission for Europe, France’s foreign trade with countries forming about one-third of the world’s area represented only a little more than 1.5 per cent of France’s total trade volume as a result of the East-West economic blockade.

65. Italy was another victim of the unscrupulous economic policy of the United States not only in respect of the peace-loving countries but also of their partners in the Marshall Plan. According to a United Press *communiqué* appearing in the *New York Herald Tribune* of 19 January 1952, the Italian Government had been obliged to protest to Washington on various occasions against the restriction on Italian exports to the United States of America. It had pointed out that such restriction weakened Italy’s balance of payments, increased its dollar deficit and forced Italian business to curtail production even more, thus increasing unemployment and the discontent of Italian producers and exporters. The *New York Herald Tribune* added that that had been the fifteenth note on the subject from the Italian Embassy to the United States Government.

66. It was obvious from such examples, which occurred every day, that the Western countries were becoming increasingly aware of the vast possibilities offered by the peaceful co-existence and economic co-operation of the two systems. Economic authorities in Western Europe were realizing that the policy of their governments was misguided, that they were creating difficulties for the economy of Western Europe and that they were harmful to the populations of the capitalist countries. Those authorities were apparently trying to find the solution to their economic difficulties in the extension of their trade relations to the USSR, the People’s Republic of China and the peoples’ democracies. In that connexion they could always count on the understanding of the latter group of countries which would contribute through trading to the development of all countries desirous of participating in international trade, without political domination or discrimination. Such international economic relations would facilitate access to vast supplies of raw materials, increase food production and intensify industrialization and would

thus lead to higher living standards. The peoples’ democracies did not fear over-production in their own countries or in the world as a whole. Any increase in their production went towards strengthening their economy, increasing consumption and expanding international trade.

67. As stated in chapter 7 of the report, “The present lower ratio of east-west trade to the gross national products of both participating groups of countries does not imply that this trade is of little significance. Certain of the items exchanged are sufficiently important to provide incentive on both sides to maintain or increase the level of that trade”. It was further stated that “imports from Eastern Europe therefore represent, particularly to Western Europe, a means of economizing on dollar expenditures”.

68. His delegation was convinced that the development of international economic co-operation would lead to a stabilization of the currencies of Western Europe and of Asia, the Near and Middle East and Latin America. The planned economies of the Soviet Union, the people’s Republic of China and the other peoples’ democracies, where crises were unknown, could be of great advantage to the Western countries and to the under-developed countries of Asia and Latin America in particular.

69. The way to the renewal and development of normal economic relations had been opened at the Economic Conference in Moscow. The importance and usefulness of the talks had been clearly understood by a large number of industrial, commercial, co-operative, trade-union and economic organizations in the capitalist countries. In spite of the numerous difficulties raised by governments, the attendance of 500 delegates from fifty countries proved that the problems discussed at the Moscow Conference were among the most important connected with the current world economic situation. Every speech at the Conference had been inspired by the desire for the re-establishment of normal international economic relations. The success and importance of the conference were illustrated by the fact that the representatives of companies and economic organizations had come to conclude trade contracts. Moreover, delegations, industrialists and business men had made trade contacts and had prepared trade agreements. The results of the conference would help to offset the decline in trade between the East and West caused by the United States, which had decided, as indicated in *The New York Times* of 22 June 1951, to consider discrimination in East-West trade as one element in the economic war.

70. The course of events in 1951 and 1952 was convincing proof of the fact that the procedure adopted by the United States of America in the political and economic fields was encountering stronger resistance from the working masses of Western Europe, Africa, Asia and Latin America. There was no doubt that the peoples of the capitalist countries were rallying more and more each day to the Stalinist idea of the peaceful co-existence and co-operation of all countries of the world which would lead to better living conditions for all.

71. The PRESIDENT, referring to the earlier decision of the Council (583rd meeting) to grant hearings on the item under discussion to representatives of the

International Confederation of Free Trade Unions and the World Federation of Trade Unions, invited the representative of the latter organization to address the Council.

72. Miss KAHN (World Federation of Trade Unions) stated that, just as the representatives of various countries had described to the Council the basic problems of greatest concern to their own countries, the WFTU was equally anxious to bring to the notice of the Council what it considered to be the most pressing economic problems confronting the workers of the world and to propose certain solutions. A year earlier the request of the WFTU that the Council should include on the agenda of its twelfth session an item relating to the decline in the living standards of workers as a result of the war economy had been refused.⁵ It was the duty of the WFTU towards its 80 million members in sixty countries to study and evaluate their economic problems and, as an organization in consultative status with the Council, it took most seriously its responsibility to present to the Council a summary of its findings.

73. The statement in the *World Economic Report 1950-51* to the effect that for the world as a whole the consumption of food *per capita* was less than it had been fifteen years earlier was sufficient to show the misery of untold millions throughout the world. The decline in food consumption was an inevitable corollary of the low level of, and serious decreases in, the average annual *per capita* income in many countries.

74. The report properly dealt separately with the economic situation of developed capitalist countries, countries of planned economies, and under-developed countries. It revealed that in the countries of planned economies the standard of living had risen and the transformation of nature by man continued its regular progress. In both other groups of countries, however, the report found violent fluctuations of production, prices and unemployment, a marked unbalance between various sectors of the economy, and continuing, if not growing, trade and balance of payments difficulties. Those problems had in turn led to reduced consumption, sharp cuts in productive budget expenditure to allow for non-productive expenditure on armaments, and a serious decline in the living standards of workers.

75. While revealing some of the facts, the report nevertheless sought to minimize the decisive effect of the war economy upon the economic situation of the two latter groups of countries. The WFTU was sorry to note that certain suggestions it had made earlier were ignored in the report, which tried to disregard the following basic problems of the people of the world: the low level of real wages, the heavy tax burdens, the deleterious effect on the workers of the intensified "speed-up" of work, the growing impact of unemployment in many areas and the serious effect of reduced expenditure on housing, health, education, social security and social welfare.

76. The report did indeed mention in an offhand manner, in its introductory pages, that should an easing of political tensions bring about a reduction in armament

expenditure, the opportunities for raising living standards in both developed and under-developed countries would correspondingly improve; that statement having been made, however, the matter was ignored in the substantive parts of the report.

77. It was one thing to give passing attention to the desirability of peace-time economies but it was another to give serious thought to the current and the long-term effects of the existing economies and to propose changes before it was too late. It was obviously the duty of the Council to take the latter course.

78. It was common knowledge that the economic consequences of the current war economies were causing grave concern in many sectors. In the United Kingdom, the followers of Mr. Aneurin Bevan had repeatedly drawn attention to the necessity of reducing the scale and tempo of rearmament. In the French National Assembly, Mr. Mendes-France had stressed the fact that if inflation and its consequences were to be avoided, French military expenditure must be held far below the level proposed by the Government. In the United States of America, an increasing number of industrialists were expressing concern: the Chairman of the Board of Directors of the General Electric Company, for example, had told the First International Conference of Manufacturers in New York, in December 1951, that he considered the peak of the proposed armament programme too high and that if the North Atlantic Treaty Organization countries undertook to meet the defence programme as recently formulated, the result would be serious economic and political disturbances. Furthermore, the Executive Editor of the *Journal of Commerce*, in a critical analysis of the United States economic problems, published on 3 June 1952, had written that what had been termed an "inflationary lull" a year earlier had grown into a full-fledged decline in the civilian sector of the economy and that the defence effort, together with the continued high level of plant expansion, had only just been able to offset the declines in the civilian economy. He had gone on to declare that business was not worried about the possibility of defence-created shortages but was concerned, rather, over what had all the signs of a wide-spread over-capacity to produce practically everything; without the defence programme, the post-war recession would by then have made itself felt, since the planners could not have produced any peace-time emergency programme on anything like the scale of the defence effort; that being so, it was contended that the end of the defence programme would be the signal for a general economic recession of more or less severe proportions.

79. The impact of war economy upon the workers had shown itself in a lowering of living standards and decreased consumption in the developed and under-developed capitalist countries. The United Kingdom *Economic Survey for 1952* showed that total protein consumption in the United Kingdom in 1951 had been roughly 6 per cent below the annual averages for 1948, 1949 and 1950, that in December 1951 retail prices had been 12 per cent higher than at the end of 1950 and that food prices had risen by 16 per cent during 1951. The same survey revealed that the total wage and salary bill had increased by only 11 per cent in 1951, although

⁵ See *Official Records of the Economic and Social Council, Twelfth Session, 437th meeting, and documents E/C.2/281 and E/C.2/281/Add.1.*

the income of companies and public corporations had increased by 20 per cent.

80. In the United States of America, recent reports of the Department of Agriculture showed that there had been a decline of 5.3 per cent in *per capita* food consumption between 1946 and 1951, the declines for such specific items as butter, wheat, flour, meat and coffee having been even greater. It was scarcely necessary to point out that reduced food consumption was the very last in voluntary response of a worker to inflation, reduced real wages and the tax burdens of an arms economy. The decline in food consumption in the United States, however, had not been unplanned: the Council of Economic Advisers had actually reported to the President and to Congress in January 1951 that people grew healthier by eating less.

81. The United States Department of Labor had on 19 May 1952 released the figures of what, in October 1951, had constituted a "modest but adequate" budget for a family of four in various cities of the United States. That for New York, which came approximately midway in the range, was a little over \$US4,000; yet in 1951 the annual income of 10 million families had been under \$US2,000, and the manufacturing worker receiving the average hourly wage and working a forty-hour week every week of the year would still earn some 15 per cent less than the minimum budget figures calculated by the Department of Labor.

82. While food prices were rising in the capitalist countries and consumption of basic foods was falling, the reverse trend was evident in the Union of Soviet Socialist Republics. In March 1952 that country had effected the fifth of a series of price reductions since December 1947, bringing total percentage reductions between 1948 and 1952 to 50.3 for bread and margarine, 53.3 for meat and 54.5 for butter.

83. Recent economic studies by the United Nations contained many indications of declining living standards in Western Europe, Latin America and elsewhere. The Economic Commission for Europe reported that in the fourth quarter of 1951 real wages had actually fallen in Italy and that during 1950 and 1951 output per man in Italian industry had risen by 24 per cent, with hardly any change in real wages. In Argentina, the cost of living in 1951 had been 53 per cent above the 1949 level; that wages had not risen accordingly was shown by an April 1952 report of the United States Department of Commerce, according to which real wages for common labour in Argentina had been approximately 14 per cent below the 1949 level during the first ten months of 1951.

84. It was unfortunate that the *Summary of Recent Economic Developments in Africa* (E/2193/Add.2) devoted so little attention to the problem of real wages, prices and purchasing power; it declared that wage data was difficult to obtain but it did state that evidence indicated that, in general, wages had lagged behind the rise in living costs. There was much information to confirm that conclusion in the 1951 reports on Non-Self-Governing Territories, transmitted to the United Nations under Article 73 *e* of the Charter.

85. The *Summary of Recent Economic Developments* contained information on under-consumption and recent declines in consumption in Africa; it reported that

cotton exports in 1950 had accounted for nearly 10 per cent of world trade, although the region's share in world production had been only 5 per cent, and that the quantity of imported textile goods had fallen appreciably in the Belgian Congo and most of the United Kingdom territories. Simultaneously with those developments, Africa had in 1951 become an even more important source of raw materials for the arms programmes of the United States of America and the United Kingdom, the demands for which had been met with little concern for the shamefully low living conditions of the people of Africa.

86. Mr. Santa Cruz, the former President of the Economic and Social Council, speaking in Florida on 18 April 1952, had said that the new world policy of the United States had had serious repercussions in Latin America, the Marshall Plan, for example, having served to finance a development of industries or crops in Africa, in competition with those of Latin America. He had explained that it was causing concern to Latin-American countries, not because Africa was being developed, which was only fair and logical, but because the exploitation of its resources with very cheap labour meant unfair competition with countries that were making sacrifices in order to give their people a worthy standard of living.

87. The 1951 *Summary of Recent Economic Developments in the Middle East* (E/2193/Add.3) did not even attempt to examine living standards or the conditions of workers in industry and agriculture. Having pointed out that food supplies *per capita* had not, in general, regained the pre-war level, it disposed of the most important economic and social problems of the area by merely stating that the speed of execution of development plans, as also future prospects, differed greatly among countries, that in most of them development continued to be slowed down by physical obstacles and such institutional and social factors as unequal distribution of income, lack of technical skill and inadequate health conditions, and that the system of land tenure prevailing over most of the region was a further barrier to economic development. Moreover, it failed to draw the extremely serious implications of one item it reported, namely that in 1950 the Middle East had refined only 48 per cent of its crude petroleum, as against 57 per cent in 1949. That was a new manifestation of the old colonial pattern which for years had carried tin from Malaya to smelters in the Netherlands and the United Kingdom and was carrying Middle East oil to refineries, many of them newly constructed, in the United Kingdom, France, Italy and elsewhere; it was a new attempt to keep the raw material producing areas from becoming self-sufficient.

88. On 28 May 1952 the President of the Canadian Manufacturers Association had been severely critical of a report of the Research Institute of America, that had implied that Canada should be satisfied to sell raw materials to the United States and then buy back the finished products at high prices. If Canada, with its vast resources and high level of development, was thus affected, it was not hard to gauge the effect of the existing extractive economy on the under-developed areas.

89. Closely linked to the problem were the trade restrictions imposed either directly by the United States

of America or at its insistence. That was no mere academic question for a worker: it frequently determined the amount of employment in industry after industry and country after country. The *Economic Bulletin for Europe* for the fourth quarter of 1951, speaking of the decline in exports of the Western European countries, noted that the total value of textile exports from the four main exporting countries had fallen by about 20 per cent between the second and fourth quarters of 1951, adding that Belgian rayon exports had been saved only by a substantial increase in sales to the USSR. The United Kingdom *Economic Survey for 1952* pointed out that production and employment in many of the consumer goods industries must depend on the ability of those industries to expand exports. The fact was that a vicious circle had been created, as was evident from a statement made to the House of Commons on 13 November 1951 by the British Minister of Housing, who, explaining that the Government could not reach its target of 300,000 new houses a year, had given as a major reason a shortage of timber, for which the United Kingdom depended almost entirely on imports.

90. Data compiled by the Economic Commission for Europe showed the extent to which politically dictated trade restrictions were undermining the economy of Western European countries and lowering the living standards of their workers. The impact of similar restrictions in Asia was increasingly severe. According to a study prepared by the Federation of Trade Unions of Iron and Steel Workers of Japan, the suspension of normal trade with China had had serious effects upon the Japanese economy. Coke, which had hitherto been imported from China, was being imported from the United States of America, at three times the normal price, with a resultant intensification of Japan's dollar shortage and damage to its balance of payments. At the same time, the workers in the Japanese iron and steel industry were being subjected to a disastrous "speed-up on the job": in November 1951 the production index for iron and steel had been 55.8 per cent above the index of January 1950, although employment had risen by only 9.6 per cent in the same period. That meant an increase of roughly 45 per cent in *per capita* productivity, achieved by "speed-up on the job" and a lengthened working day. Moreover, although Japan was forced to pay United States prices, plus heavy freight charges, for its coke and iron ore, as a result of politically dictated trade restrictions, the average hourly wage of a Japanese steel worker had been, in November 1951, only 13 per cent of the corresponding hourly wage in the United States. According to an article in the *Wall Street Journal* of 30 April 1952, contributed by a staff reporter visiting Japan, there was general discontent with the ban on trade with the People's Republic of China, many business men being frankly opposed to that policy, upon which the United States had insisted.

91. The impact of trade restrictions and of unilateral purchasing policies of the dominant capitalist countries was reflected to a limited degree in the report on *Recent Changes in Production* (E/2193/Add.1), which, speaking of the increased mineral production of the under-developed countries in the past year and the slow industrial development, was doubtful whether that

production trend would continue, in view of the concern manifested by many under-developed countries regarding the stability of the long-run demand for their raw material exports.

92. The fact was that trade restrictions had the constant effect of lowering the living standards of the workers in both developed and under-developed capitalist countries, in that they created unemployment, forced price increases in basic items of the cost of living, such as coal, restricted food supplies and increased the prices of available foods, reduced national incomes and created deficits, which were then charged against the workers in the form of heavy direct and indirect taxes. Workers of all countries, therefore, regarded the resumption of normal trade relations between all countries, without discrimination or restriction, as an important element in raising the standard of living of all peoples and as an essential factor for the peaceful co-existence of different economies and political systems and the safeguarding of world peace.

93. It was the hope of the World Federation of Trade Unions that the Economic and Social Council would call upon all countries to restore free international trade and to replace the disastrous economies of war by economic programmes designed to safeguard and improve the standards of living of the people. To that end, the WFTU offered the following proposals:

(1) Civilian industrial production and the production of consumer goods should be increased, to meet the real and acute needs of the masses of working people; adequate production and distribution of food and textile products were of primary importance;

(2) Wages of workers should be increased and their real value ensured by a sliding scale to provide for immediate, direct and automatic adjustment of wages when prices increased. Adjustments should be based on revision of price and cost of living indices, in consultation with trade-union organizations, in order to ensure that such indices accurately reflected price trends;

(3) The enormous burden of direct and indirect taxes levied on the mass of workers should be reduced and the necessary government revenues raised by increased taxes on profits;

(4) The social well-being of the people should be improved by increased public expenditure for construction of low-cost housing, schools and hospitals, and by the improvement and expansion of social security and welfare schemes, with provision for automatic increases in benefit rates corresponding to increases in the cost of living;

(5) "Speed-up on the job" should be reduced, in order to protect the health and well-being of workers;

(6) All obstacles to economic development and trade and all discriminatory practices of a political character should be eliminated.

94. Those were immediate measures. It was clear that no stable improvement in the standard of living was possible without a reduction of expenditure for armaments. The WFTU therefore urged the Council to recommend:

(1) A decrease in military expenditure and the utilization of the funds thus made available for social and cultural expenditure designed to raise the standard of living of the masses;

(2) The elaboration of peaceful development programmes of production and trade to improve the well-being of all people.

95. With regard to the under-developed countries, where the situation required certain other recommendations, the WFTU proposed that:

(1) The control of exchange, imports and exports should be conducted in consultation with organizations representing all strata of the population and, in particular, with the truly representative trade-union organizations. Controls should be designed to guarantee the utilization of revenue from foreign trade for productive ends, in conformity with a plan for national development and the improvement of living standards of the masses of the people;

(2) The countries producing primary materials should be assured long-term contracts allowing them relative stability in the economic field, and as a counterpart, given the assurance that they would be able to

obtain equipment and machinery at stable prices without protracted delay;

(3) The under-developed countries should be assured full control of the disposal of their national resources;

(4) International co-operation of all countries to aid the economic development of under-developed countries should, as a first essential, safeguard the interests of the under-developed countries and their national independence.

96. The World Federation of Trade Unions, which regarded the item under discussion as the most fundamental problem on the agenda of the Council, welcomed the opportunity of presenting the above proposals, which were based upon a study of the various documents before the Council and an independent examination of the economic problems confronting the workers of the world.

The meeting rose at 5.25 p.m.