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President: Mr. George F. DAVIDSON (Canada)

Present:

Representatives of the following States: Brazil, Canada, Chile, China, Costa Rica, Finland, France, Greece, Indonesia, Mexico, Netherlands, Pakistan, Poland, Sudan, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Yugoslavia.

Observers for the following Member States: Czechoslovakia, Ireland, Israel, Japan, Laos, New Zealand, Uruguay.

Observers for the following non-member States: Federal Republic of Germany, Holy See, Switzerland.

Representatives of the following specialized agencies: International Labour Organisation, Food and Agriculture Organization of the United Nations, International Civil Aviation Organization, International Bank for Reconstruction and Development, International Monetary Fund, World Health Organization.

Representatives of the International Atomic Energy Agency.

AGENDA ITEM 2

World economic situation

(a) Survey of the world economic situation, including questions relating to employment and to the expansion of world trade (E/3110, E/3116, E/3117 and Corr.1, E/3119 and Corr.1, E/3127 and Add.1-3, E/3151; E/CN.12/489 and Add.1-3; E/CN.13/27; E/ECE/317; E/L.795, E/L.801)

1. Mr. TUOMIOJA (Executive Secretary, Economic Commission for Europe) said that in the *Economic Survey of Europe in 1957* (E/ECE/317) the secretariat of the Economic Commission for Europe (ECE) had made an attempt not only to analyse current developments, but also to deal with broader questions such as manpower and employment in eastern Europe and the Soviet Union, the structure of expenditure and output in western Europe and past and future trends in European trade. The projections to 1975 of the trade of the highly industrialized countries — mainly those of western Europe and North America — with the primary exporting countries

was particularly relevant to the current debate. The study highlighted the impact of different rates of economic expansion in Western Europe on world trade in general, and on the importing capacity of the less developed countries in particular. At the same time, the study showed that even a high rate of economic expansion in the industrial countries would not by itself be sufficient to create the external conditions that would narrow the gap between economic levels in developed and underdeveloped countries or between the relatively favourable economic position of the mineral exporting countries and the much less favourable position of the exporters of agricultural products.

2. An issue that was more immediate, however, was the danger of a prolonged stagnation or decline in economic activity in North America and western Europe, which was likely to result in a contraction of world trade and a consequent lowering of economic levels in the primary exporting countries and in a disruption of their economic development. An attempt had therefore been made in the most recent issue of the *Economic Bulletin for Europe*¹ to analyse the probable international impact of the recession in the United States. Although that had been relatively moderate so far, the low levels of international liquidity of most countries made the world economy more sensitive to a decline in the rate of imports into the industrial countries and, in particular, to a decline in the supply of dollars. Since a vigorous early upturn in the economic activity in the United States might hardly be expected, arrangements to improve international liquidity were needed.

3. Economic activity in western Europe had been levelled off to a large extent by governmental measures to restore the equilibrium in the balance of payments and to check inflationary pressures. Some success had been achieved and the improvement in western European balances of payments in the past few months, although still inadequate, supplied a better basis for the new expansion than might have been anticipated some six months previously. The fact that the remaining momentum of the wage/price spiral was no longer an indication of excess demand was also promising. Conditions had thus changed sufficiently to allow governments to endeavour to remedy the stagnation or downward trend of economic activity. Although the importance of such action could hardly be over-estimated, the very great difficulties entailed in adopting policies to equalize the strength of the major western European currencies, to establish credit arrangements leading to an effective pooling of western European exchange reserves and to co-ordinate national policies of expansion should not be under-estimated.

¹ See *Economic Bulletin for Europe*, Vol. 10, No. 1, p. 41.

4. The main economic preoccupations of the governments of eastern Europe and the Soviet Union differed somewhat from those of western Europe, although the eastern European countries were bound to be affected adversely by any prolonged stagnation of demand in their western markets. The most recent issue of the quarterly *Economic Bulletin* published by the secretariat of the Economic Commission for Europe showed that at the beginning of 1958 industrial output had risen sharply in eastern Europe and the Soviet Union and that the effects of the good harvests in 1957 of most countries in the region had contributed to relieving previous strains in consumer goods markets.² In several eastern European countries, however, the main problem in 1958 would be to adjust domestic demand pressures, particularly in connexion with the foreign financing available. In some cases that might involve a slowing-down or even a virtual halt — for 1958 at least — in the rise of consumer incomes, which had aggravated balance-of-payments difficulties in 1957. The current plans for industrial and agricultural development, for investment in housing and the like did, however, show that on the whole more attention was now being given to consumers' needs in those countries than at any time since the war.

5. The main longer-term economic issues now under discussion in eastern Europe and the Soviet Union were those connected with the internal organization and management of their economies and specialization within the area. One of the main questions discussed by the Economic Commission for Europe at its recent session had been the possible impact on the European economy as a whole of the separate plans for economic integration now under consideration in western and eastern Europe respectively. The view had been widely expressed that it would be unfortunate if such measures to increase the prosperity of the participating countries should reinforce economic barriers between eastern and western Europe which had seemed only a short time previously to be on the point of disappearing. The Economic Commission for Europe had asked the secretariat to pursue that topic further. The ECE secretariat's main concern was, therefore, the need for more effective co-operation in Europe to ensure that the separate integration plans were in harmony with the development of the region as a whole and did not run counter to the economic co-operation and all-European contacts which had increased notably in recent years.

6. Mr. BORIS (France) noted that, though the world economy was showing deflationary symptoms, the danger of internal inflation still existed in a number of countries. That was, on the whole, true of France, which provided an example of the way in which, often in spite of harsh government policies, inflationary pressures of various types threatened monetary stability. Economic development in France, which had at first been slow, had accelerated in recent years, with the result that the gross national product had risen by 50 per cent from 1948 to 1957. It was encouraging to note that that increase in production had been achieved without any considerable rise in the number of workers, owing to the almost

universal full employment of the working population. Thus it was higher productivity which was the fundamental cause of the economic growth, a fact which justified optimistic forecasts about higher wages and levels of living.

7. Serious strains, however, inevitably accompanied such growth. An economy whose labour force was fully employed was especially vulnerable to cost-inflation. The considerable increase in wage rates, normal and necessary in sectors experiencing a marked growth in productivity, had spread rapidly and inevitably to wages as a whole, then to incomes as a whole, giving rise at one and the same time to a state of cost-inflation and to inflation caused by excessive aggregate demand. The latter had been increased in France by inadequate stocks of foodstuffs, the result of a succession of bad harvests.

8. It would undoubtedly have proved possible to restrict those inflationary pressures by a substantial contraction in the supply of liquid resources, but it was extremely difficult to do so when that part of the national product assigned to investments in fixed capital was still far from adequate for the normal growth of the economy, and when France also had to meet exceptionally heavy public expenditure.

9. The outward classical signs of inflation — rising prices and disequilibrium in the balance of payments — were therefore bound to appear. Price movements, held fairly well in check until the spring of 1957, both by state action and the squeezing of the profit margins of business undertakings, had been particularly appreciable at the end of 1957 under the triple pressure of the rise in the cost of industrial products, the movement of agricultural prices into line with them and the monetary adjustment which the balance of payments position had made necessary in August 1957. The increase in industrial activity, the growth of fixed capital and a deficit in food supplies, in a period in which it had been particularly difficult to improve exports, had been bound to lead to a heavy deficit in France's balance of payments on current account, which had still been showing a clear surplus in 1954 and 1955.

10. The prospects for stability were now better. The combination of satisfactory agricultural prospects, the rise in prices which had absorbed increases in manufacturing costs, the opportunity afforded by the existing rates of investment in France for the exercise henceforth of a strict and selective financial policy, and foreign financial assistance, enabled the future to be faced with greater confidence.

11. Difficulties, however, continued to exist. The expansion of exports was hampered by the world economic situation; the rise in prices had curbed the growth of real income and given rise to claims both by wage-earners and agricultural producers.

12. In spite of those difficulties, and largely owing to a revival of the spirit of enterprise, the French national product had grown by 6 per cent in 1957, thus exceeding the rate of growth in almost all the countries of western Europe. Productive investment now accounted for 19 per cent of the total gross product and there were no serious indications that the economy was slowing down.

² *Ibid.*, p. 27.

On the contrary, a very considerable increase in production was apparent in all sectors in 1958 as compared with the production of the previous year, which had itself been considerable.

13. In spite of the difficult balance-of-payments position, in 1957 France had devoted \$614,000,000 to the financing of the economic development of the under-developed areas of the world. That sum, which was nearly twice the total outlay of the International Bank for Reconstruction and Development in all the under-developed areas in the same period, did not include current grants. France was proud that it far outdistanced other countries in the proportion of its revenue which it allocated to the vitally important task of building up the economies of the under-developed countries.

14. Turning to the *World Economic Survey*, he remarked on the highly instructive nature of the observations of the *Survey* on centrally planned economies. As chapter 3 showed, such economies, contrary to what had often been stated, were not immune from monetary ills, and especially from inflation. In the first place, a vast sector of production was subject to unpredictable hazards. Forecasts of the ratio of distributed purchasing power to the volume of consumer goods on the market might be falsified by the success or failure of harvests. The planners could hardly be blamed for any inflationary pressures that might thereby ensue. Again, there was no denying that the over-fulfilment of investment plans — in itself a favourable factor — resulted in additional wage payments, or in other terms, in unforeseen distribution of purchasing power for which no corresponding additional quantities of consumer goods were available. Another inflationary factor was the pressure exerted by the producers themselves in the direction of constant improvement in their living conditions. Such aspirations were only human and were common to all systems, and under every system wage increases out of proportion to the rise in productivity were sometimes granted. Thus the communist countries, too, experienced inflation of costs. As for the strength of the inflationary pressures, it was doubtful whether it could be assessed in such countries from variations in price indices, a large number of which were fixed in advance and strictly controlled. For those who had eyes to see, the frequency and length of queues before the shops and various signs of too much money chasing too few goods were more revealing than price labels, wage scales and statistics. It seemed that the laws of nature and of human behaviour brought about striking resemblances between systems which were diametrically opposed to each other.

15. The chapter of the *Survey* dealing with inflation in primary producing countries was mainly concerned with the under-developed areas. Inflation, which was endemic in countries with backward economies, had as its underlying cause the actual needs of development, the demands of a financing programme which voluntary savings were insufficient to meet. It was a direct outcome of budgetary deficits and of an increase in the volume of currency circulation and credit, was often bound up with inadequacy of agricultural production, and was the inevitable corollary of a sharpened consumer appetite, when that appetite was satisfied at the expense of the urge to save. It also took the form of an inflation of

wage costs. The old mechanics of inflation, by which a proportion of income was diverted willy-nilly into savings, thereby enabling the investment burden to be carried, were becoming steadily less effective; in other words, it was proving more and more difficult to finance investment through inflation.

16. Outside aid undoubtedly brought some alleviation to the chronic ills of the under-developed countries, but the outside world at times proved a source of complications as well. The disastrous effects which an economic crisis originating in the industrialized countries might have on those areas had often been described. The complex phenomena to be observed in the industrial countries over the last two years had had serious and dangerous repercussions on the under-developed parts of the world.

17. The slackening-off of expansion in the industrial countries, and more particularly in the United States of America, in 1957 had been reflected in falls in prices and a reduction in the value of purchases of most primary products. The global index of exports from the primary producing countries had not, however, declined from one year to the other, but had even shown a slight increase. That was because the global index was affected by an appreciable growth in sales of petroleum products. While on that point, he wished to warn against the deceptively accommodating character of global statistics, which might lead to unfounded optimism. The mere fact that petroleum was included in the overall calculations meant that the positions of countries which did not produce it — and they were the vast majority — did not appear in their true light. There could be no doubt that, generally speaking, the United States recession had called a halt to the expansion of, and in many cases had reduced, the export earnings of the under-developed countries in 1957. At the end of 1957 and the beginning of 1958 markets had further weakened; and, as indicated by the *Survey*, export earnings in 1958 were likely to show a decline by comparison with the previous year.

18. During the same period the industrialized countries had displayed symptoms of quite another kind: inflated production costs had given rise to increased prices, so that, whereas shrinking demand had obliged the under-developed countries to sell their raw materials more cheaply, they had been paying more for manufactured products owing to inflated costs. The consequent deterioration in their terms of trade, which materially affected the relevant countries' currency reserves, was one of the striking results of the paradoxical co-existence of inflationary and deflationary pressures in one and the same country.

19. The question arose, however, whether the phenomena were really contradictory and whether the terms used were not responsible for a certain confusion. Perhaps the mistake lay in applying the same word, "inflation", to two different diseases which had but one symptom in common: increased prices.

20. Inflation due to demand's exceeding supply was disease A; its opposite A¹ was deflation, or recession, due to supply's exceeding demand. Then there was disease B, inflation of costs, which had as its opposite B¹

— at least in theory, since in practice there was little evidence of any general deflation of costs.

21. That distinction appeared clear in the introduction to the report. It had, moreover, been implicitly drawn by the Secretary-General in his reference to the structural nature of the inflationary pressures recently observed in the United States (1024th meeting). The Netherlands representative, in the course of a well-reasoned statement on the same subject, had come to the same conclusion as himself that, although there was a cyclical and a structural disease, it did not necessarily follow from the fact that both were called "inflation" that the cure for both was the same (1024th meeting).

22. If, as was stated in the report, recent inflationary pressures were due to imbalance between particular sectors, and basically to pressures exercised by groups, he wondered whether recourse to restrictions on global demand would produce results. What would appear to be needed to affect particular sectors and groups was selective (i.e., selective by sector) currency and economic provisions, political, educational and possibly, in the case of groups, legislative provisions.

23. No doubt global restrictions might in the long run bear fruit, but not without serious repercussions in both national economies and world economy as a whole. And perhaps then, when large-scale damage had been done, there would be misgivings about continuing on the same lines, so that the action taken would be slowed up or even suspended before the objective had been attained. In point of fact, although the global anti-inflationist measures adopted by the United States had not succeeded in eliminating inflated costs, they had been abandoned in recent months.

24. Meanwhile, deflationary pressures had been aggravated: as the Secretary-General had explained, while inflation had continued to be the object of concern there had been a widening of the gap between actual production and productive capacity, which the recent boom in industrial investment had unduly expanded in wide sectors. The exaggerated optimism which had led to the boom had inevitably been punished by a fairly extensive recession. Such optimism was always automatically punished, as were planning mistakes under other systems. In the present case, the extent of surplus capacity as compared with possible utilization, assuming full use of available labour, suggested that some time at least must elapse before fixed industrial investments were resumed.

25. There were some who, arguing from the magnitude of the present imbalance between production and capacity, predicted the collapse of the whole economic and social system, at grips with a major crisis of over-production for which it knew no remedy. Others, interpreting the characteristics of the present recession and comparing them with other observations of a social nature, discerned signs of saturation among consumers. But it was not the first time that a temporary imbalance between production and capacity had been considered insoluble by the prophets of doom and that they had been proved wrong in the event, or that alleged abundance had been put forward to justify the refusal of expansion.

26. Some observers pointed to a more serious indication: the gap between production and capacity had been wid-

ened — and the prospects for early recovery thereby diminished — by a policy of credit restrictions which had been more severe and had been maintained for a longer period than during the two preceding recessions of 1948/49 and 1953/54. He cited the study on the international impact of the United States recession, which the Economic Commission for Europe had just published in its latest *Bulletin*.³

27. Still more serious apprehensions were expressed in that study with regard to the near future. It estimated that United States imports in 1958 had dropped \$2 million below the 1957 level and anticipated that exports of private United States capital would probably show a reduction of \$1,000 million. That twofold contraction was bound to affect monetary reserves, particularly in under-developed countries which were producers of raw materials. The repercussions would inevitably affect United States exports and the United States economy in general and, in turn, the world economy, which would be threatened with prolonged stagnation, if not with a severe crisis — a prospect which, as the United States representative had rightly stated, must be ruled out (1024th meeting).

28. Such an outlook called for careful consideration of questions relating to the international organization of commercial co-operation and economic consultation. The problem was to determine to what extent the present system of economic consultation and co-operation was adapted to needs. The Secretariat had supplied, in various documents, an exhaustive and extremely lucid description, which deserved commendation.

29. It was rather an abstract exercise, however, to describe bodies without at the same time stating some of the more important features of their terms of reference and, so to speak, of their political-economic code, which determined the organizations' activity. He had in mind such bodies as the Commission on International Commodity Trade and the International Tin Council.

30. He concluded from those considerations, firstly, that the necessary improvements in the existing system of economic consultation and co-operation at the international level should be directed towards perfecting and making more effective use of the existing arrangements rather than adding new machinery. Such an addition should not be proposed unless the existing bodies proved inadequate and unable to adapt themselves to present needs. Secondly, while the effect of machinery and procedures on world economic co-operation should not be discounted, it was nevertheless not the decisive factor. The decisive factor was obviously the desire of states to consult or co-operate with one another, and that desire could in most cases be given effect through existing bodies.

31. If in that connexion an objective was to be given priority, his delegation would not hesitate to choose the problems relating to international commodity trade. France, which, with its associates, was both a consumer and a producer of raw materials, felt that it was in a position to take a balanced view of the various interests involved.

³ See *Economic Bulletin for Europe*, Vol. 10, No. 1, p. 41.

32. As the Secretary-General had stated, the solution of those problems was the responsibility of the governments themselves. The Netherlands representative had concluded with a request for time limits and stages (1024th meeting); the French delegation saw great merit in that suggestion. In its view the question of the practical forms of the action to be taken should be discussed in connexion with item 5 of the agenda, on the basis of specific proposals. The principle underlying that action, however, was already clearly established: i.e., the use of existing bodies, adapted as required, which would unquestionably be willing agents, imbued with a will to succeed which could be regarded as unanimous.

33. Mr. ZAKHAROV (Union of Soviet Socialist Republics) said that during the preceding year the Soviet Union had continued its efforts towards peaceful co-existence and international collaboration in all spheres, including those which were the special province of the Economic and Social Council. The world economic situation might be briefly described thus: in the industrialized western countries, especially the United States of America, there had been a fall in business activity with inevitable harmful consequences; as a result, the conditions of international trade had deteriorated, which had led to serious economic difficulties in many countries of Asia, Africa and Latin America; in the Soviet Union, the People's Republic of China and other socialist countries, however, there had been continued growth in all sectors of the economy. In the *World Economic Survey, 1957* (E/3110) much information was given and some conclusions were reached about the nature of the recession in the western countries and its probable duration. He referred in particular to the comments appearing in the introduction to the *Survey*. Without speculating on the possibility of a depression on the scale of that of the 1930s, he said it was a fact that between August 1957 and April 1958 the volume of production in the United States had fallen by 13 per cent. In some sectors of industry the drop had been even greater.

34. It was not, however, the fall in production in the United States which accounted principally for the prevailing situation. One of the main features of post-war industrial development had been that the variations of production and trade in the United States and in western Europe had not coincided. The drop in the United States demand in world markets in 1948/49 and 1953/54 had been offset to a considerable degree by a growth in the demand of western European countries, whose share in world trade was nearly twice as great as that of the United States. Now, however, the rate of growth of production in most western European countries had either ceased to rise or actually fallen.

35. In the United States and some European countries it was often said that the deterioration in the economic situation of the West was of a short-term nature. His delegation believed that such optimism was unjustified. Much the same conclusion was reached in chapter 4 of the *Survey*. That meant that such factors as investment, consumption and export would henceforth determine not the growth of production, but its contraction. In that connexion he said that according to the Joint Economic Commission of the United States Congress the re-establishment of the full economic potential could not

be achieved before the middle of 1959 and possibly not until the end of 1960. The deterioration of the world economic situation had also led to a reduction in international trade, as was shown by customs statistics. Soviet economists estimated that in the first quarter of 1958 the volume of international trade had fallen by 7 or 8 per cent.

36. Although the fall in the production of the industrialized western countries and in international trade had been apparent for a short time only, substantial harm had already been caused to many free-enterprise countries, particularly those which were less developed. The Soviet Union had watched the efforts of many countries to free themselves from the consequences of colonial rule and to establish their national economies. In 1957 some of those countries had had considerable success in their national programmes. But their dependence on the export of raw materials and on the demand from a few industrialized countries meant that they were now in a difficult economic position and that some of them were facing a currency crisis. Those countries had suffered especially from the fall in commodity prices, estimated by the *Economist* to have declined by 12 or 13 per cent since the end of 1956. The same source estimated that, as a result, the foreign currency resources of the countries in question would fall by \$4,000 million a year. Yet import prices remained high. According to table 79 of the *Survey* the deficit in the balance of trade of primary exporting countries had increased by nearly \$ 2,300 million between 1956 and 1957. Consequently, the position of the peoples of many countries with a low standard of living was worsening, and the Council could not disregard that situation. The Soviet Union felt sympathy and concern for all those suffering from the consequences of the private-enterprise system.

37. In the Soviet Union, by contrast, the volume of industrial production had risen in 1957 by 10 per cent in comparison with 1956. In the same period the output of means of production had increased by 11 per cent and that of consumer goods by 8 per cent. Considerable success had also been achieved in agriculture. Statistics showed that the level of the Soviet economy rose from year to year. During the period 1953-1957 the volume of industrial production in the Soviet Union had risen by 53 per cent, compared with 14 per cent in the United States. That growth in production had led to an improvement in the standard of living. Real wages had gone up by 7 per cent during the preceding year, and agricultural income by 5 per cent. The finances of the Soviet Union and its currency had been strengthened. There was no basis for the statements about inflation in the Soviet Union.

38. Referring to the comparison between the free-enterprise and socialist systems made by the representative of the United States at the previous meeting, he said that the freedom of the individual and the highest level of material satisfaction meant little if millions were unemployed and unable to satisfy even basic needs. In the Soviet Union, by contrast with free enterprise countries, the whole population helped to decide economic and cultural policy. For example, millions of people had participated in discussions of the law on improved management of industry introduced in 1957. By such

methods fundamental human rights were guaranteed and the great advances of the Soviet Union in all fields were achieved.

39. The development of the Soviet economy created favourable conditions for the development of foreign economic relations. In 1957 the volume of Soviet foreign trade had been six times greater than in 1938 and 15 per cent higher than in 1956. Trade with the Asian and African countries was developing particularly fast and there were good prospects for trade with Latin America. Many agreements had been concluded with underdeveloped countries, and also with industrialized countries. There were great opportunities for trade between the Soviet Union and all countries. The Soviet plan for the development of the economy and foreign trade in 1958-1965 would greatly increase the possibilities both for exports and imports. Although the plan could be fulfilled by means of the Soviet Union's national resources, the Government considered that foreign trade strengthened international collaboration. Great opportunities also existed for mutually advantageous trade between the Soviet Union and the United States. The Government of the USSR had recently made a proposal to the United States Government regarding the development of trade between the two countries, which might reach several thousand million dollars within a few years. In other socialist countries, production and foreign trade were growing as a result of planned development — particularly in the People's Republic of China, where industrial production had risen sixfold during the last seven years. It was to be regretted that the Economic and Social Council, like other United Nations bodies, had not yet admitted representatives of the People's Republic of China, who were alone qualified to represent China.

40. In some countries it was thought that the armaments race would remedy economic difficulties. That was an untenable and indefensible view. It was clear that it was in the interests of all countries to develop means of construction rather than of destruction. Peaceful co-existence and economic co-operation offered great opportunities for the development of the productive strength of the United States and other countries.

41. The present economic difficulties were due to the system of private enterprise, but a contributing factor was that the necessary measures on an international level had not been taken in time. With that circumstance in mind, the Soviet delegation wished to put forward several proposals for the development of international economic collaboration on the broadest basis.

42. The first of those proposals was that the Council should adopt a recommendation to all States Members of the United Nations regarding the further development of international economic collaboration, and in particular should appeal to governments to co-operate in extending international economic relations. The Council should also indicate the fundamental principles on which such relations should be based. Firstly, there was the principle of equality and mutual benefit in economic exchanges amongst all countries. Secondly, trade should be developed between States regardless of their social and economic systems. Thirdly, the Council should expressly recognize the right of each nation to dispose of its

resources according to its national interests. Fourthly, economic and technical assistance should be given by the industrialized countries to the less developed countries without political or military conditions or conditions tending to limit or control the economy of the country receiving assistance. In order to pay for the import of essential equipment and for the services of foreign experts, the less developed countries would require loans and credits from other countries. Clearly, foreign capital was only complementary to the internal resources of the country, and the use to which external assistance was put must be decided by the government of the recipient country. A fifth and final principle should therefore be laid down: foreign loans and credit, including those from private sources, should never be accompanied by any conditions infringing the sovereignty of the recipient countries and should be granted on normal commercial terms.

43. The USSR delegation expected that that proposal would meet with the approval of other delegations and suggested that a draft of the recommendation should be worked out by a group of government experts and considered by the Council at its next session.

44. The development of trade relations would be facilitated by the establishment of an international trade organization, which was the subject of the second proposal. No such organization existed under the auspices of the United Nations, although there were many organizations which dealt with questions of trade, and there were regional organizations of a similar character. The existence of a large number of such organizations did not, however, answer the real interests of countries in the field of trade co-operation, and some organizations established on a limited regional basis hindered the development of free trade under equal conditions for all countries. It was therefore proposed that an international trade organization open to all Members of the United Nations should be set up on the basis of the draft for an international trade organization worked out in 1955 by the countries participating in the General Agreement on Tariffs and Trade (GATT).⁴ A group of government experts should be set up in order to make the necessary additions and changes to that draft.

45. The third proposal which his delegation wished to put forward was for a second United Nations conference on trade and employment, to be held, at the level of ministers responsible for external economic policy, in 1959 or 1960. Many States which were in economic difficulties would be helped by a discussion of those difficulties at the international level. Support for such a conference had been expressed at the eleventh session of the General Assembly and at the thirteenth session of ECE. Moreover, one such conference had been held at Havana in 1947/48 and had been beneficial. The Havana Charter, however, had not been carried into effect, despite the readiness of a number of countries, including the Soviet Union, to accede to it.

46. A number of important questions should be included on the agenda of the conference: firstly, questions relating

⁴ See General Agreement on Tariffs and Trade, *Basic Instruments and Selected Documents*, Vol. 1 (revised), p. 75. Sales No. GATT/1955-1.

to the free development of international trade, including trade on a long-term basis, the extension of trade and other economic relations between industrialized and less developed countries, and measures to remove the existing barriers to international trade; secondly, the questions of scientific and technical assistance as a means of developing national resources and international trade; thirdly, questions relating to the maintenance of full employment and to the eradication of unemployment and under-employment; fourthly, certain international currency problems, and the financing of international trade; finally, the question of financing the development of under-developed countries, with particular attention to the possibility of an agreement on the reduction of armaments and military budgets.

47. There were many other reasons why a second conference on trade and employment should be held, and it was to be hoped that other delegations would comment on the proposal. A special committee might be set up to prepare for the conference, as in the case of the first Conference on Trade and Employment.

48. The Soviet delegation would submit draft resolutions to the Council relating to the three proposals which he had outlined.

49. Mr. BOERMA (Food and Agriculture Organization of the United Nations) said that the first check in the steady expansion of world agricultural production since the war had occurred in 1957/58. The food production index had remained stable, but since world population had continued to grow the per capita index had fallen proportionately. The main cause of the setback had been the weather, but there had been deeper underlying causes that had slowed down the progress of agricultural production. In the economically more advanced countries agricultural policies were increasingly dominated by the problems of surpluses. Incomes and consumption levels were already fairly high, and further increases in income led to relatively small increases in the demand for food and other agricultural products, while a large part of any increase that did occur was absorbed by more elaborate processing or distribution services. Recent improvements in agricultural methods and the greater financial stability resulting from price supports had, however, led to a marked increase in production which could be intensified if larger markets were available. In the less developed countries, on the other hand, where the great bulk of agricultural production was for the growers' own use, the position was quite different. Owing to low incomes and low consumption levels, even small rises in income led to sharp rises in the demand for food, over and above the rising demand due to the rapid growth of population. Primitive methods of agriculture, lack of funds for investment and inadequate systems of land tenure and marketing, however, made it more difficult to increase production to meet such a twofold growth of demand. The net result was frequent local or national food shortages, with rising or sharply fluctuating prices.

50. In the industrialized countries farm incomes tended to lag behind those in other occupations, and governments had adopted relatively high support prices to correct that discrepancy, to an extent which had some-

times tended to stimulate production even after demand had been fully satisfied. In less-developed countries high price supports were as a rule economically impossible and prices had been limited for the protection of consumers, sometimes to a point where they discouraged production. Those trends were particularly relevant to the observations in the *World Economic Survey, 1957* on the fundamental role of agriculture in the economies of under-developed countries. The conclusion of the discussion on inflation in primary producing countries in part I, chapter 2, of the *Survey* was an eloquent argument for the need for increased food production in the under-developed regions.

51. Agricultural development took time, and it was more of an advantage than a drawback that considerable food surpluses existed, which were made available to the needy countries on special conditions. What was required was an even more imaginative search for the best and most practical ways of using the surpluses in the countries where they were needed.

52. The main flow of agricultural products was from the less to the more developed countries, especially to those of western Europe, but the food exports of the less developed countries had progressively declined as they absorbed more and more of their own production, and at the same time their food imports from North America and Australia had increased. Both the Far East and the Near East, which had been food exporters before the war, were now large net food importers. Latin American net food exports were some 30 per cent less than before the war, whereas exports of non-food products from the less developed regions to the industrial countries had been maintained and sometimes expanded. On the other hand North America, which had been a substantial net importer of both foodstuffs and agricultural products before the war, had been a net food exporter in each year since.

53. Despite measures to restrain production and despite vigorous surplus disposal, aggregate world stocks showed very little change as compared with the previous year. Wheat stocks had fallen by 10 per cent during 1957/58 owing to smaller crops in North America, but the fall was likely to be temporary. Stocks of coarse grain in North America had risen by nearly a quarter during that period, and the prospect was that stocks of both wheat and coarse grain would rise still further.

54. The recent downward trend of prices of primary products on export markets had caused widely publicized concern. The fall had not, however, affected all agricultural products. The FAO index of average unit values of agricultural exports as a whole for 1957 averaged 92 (1952/53 = 100), against 88 in 1956 and 94 in 1955, which did not suggest a catastrophic fall. Since the middle of 1957, however, there had been a marked downward trend in the index, and price data made it clear that the trend had persisted into 1958. Thus, there had been a steady fall in the average purchasing power of agricultural exports for manufactured goods since 1954; the same volume of agricultural exports bought about 20 per cent less manufactured goods than it had in 1955. Retail prices on the domestic market had, however, risen, reflecting in the more developed countries rising distribu-

tion costs and in the less developed countries the rapid growth of demand.

55. The Food and Agriculture Organization (FAO) had come to several conclusions about those trends. In less developed countries the greatest possible attention should be paid to policies leading to a rate of growth in agricultural production to match the increasing need for food and raw materials due to the growth of population and vigorous efforts towards economic development. The more highly developed countries should take steps, through appropriate price policies, to bring about a better balance between supply and demand for agricultural commodities. Demand should be regarded as including not only the satisfaction of indigenous consumption and

commercial exports, but also exports on conditional terms to other countries, in many of which farm incomes had remained relatively low. In shaping their national policies and forms of international co-operation all countries should do their utmost to avoid the serious dislocation of their own and other economies arising from sharp and erratic fluctuations in the prices and volume of international trade. Finally, more attention should be given in all countries to the system of food distribution; unless the efficiency of trade, processing and storage was improved, what might be gained through more efficient production could be lost through wasteful distribution.

The meeting rose at 1.10 p.m.