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President: Mr. ENGEN (Norway).

Present:

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

Observers from the following countries: Bulgaria, Finland, Hungary, Israel, Italy, Poland, Romania.

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

AGENDA ITEM 2

World economic situation

- (a) Survey of the world economic situation, including the questions of full employment and of the expansion of world trade (E/2864, E/2871 and Add.1 to 6, E/2880, E/2881, E/2882, E/L.734) (*continued*)

GENERAL DISCUSSION (*continued*)

1. Mr. CHENG PAONAN (China) congratulated the Secretariat on the excellent *World Economic Survey 1955* (E/2864), which maintained, indeed surpassed, the high standard set by its predecessors.
2. One of the outstanding features of the *Survey* was the section dealing with economic development, the problems of which were thoroughly analysed. He proposed to single out the problems he considered the most important, and to endeavour to appraise their present state.
3. Some under-developed countries produced raw materials for export, and their economic fortunes were to a large extent determined by the rhythm of economic activity in the industrial countries. He would therefore start with a brief survey of post-war economic development in the industrial countries.

4. So far as the industrialized countries of the West were concerned, the chief features of the post-war decade had been the absence of major depressions and the maintenance of almost continuous full employment, which naturally brought in its train the problem of stability in the future. The whole situation was aptly summed up in the *World Economic Survey 1955*, where it was stated that the record of the post-war period was one of rapid growth accompanied by oscillation between inflationary and deflationary pressure in industrial countries. The important question now was whether it could be safely concluded from the experience of the past ten years that thenceforward the world would be free of major depressions. On that issue, the *Survey* took a cautious stand, declaring that one decade of prosperity provided no proof either that the world had acquired permanent immunity against the business cycle or that the national and international remedies would be sufficiently potent to cope with another outcropping of the disease. It went on to say that during the first post-war decade, so long as investment and consumption had been reinforced by a backlog of accumulated demand, the menace of depression had been absent, but that it would be foolhardy to assume that the problem of ensuring adequate effective long-term demand for full employment and full utilization of resources had been permanently solved.

5. All that was doubtless true, but it must be borne in mind that more lasting forces were also at work, similar to those which had helped to mitigate the severity of depressions in the nineteenth century. They were the growth of population, technical advances and the development of the under-developed countries, reinforced by the present building boom. Given such a favourable background, a depression so severe as that of the 1930s was unlikely to occur, and if governments had only to cope with milder attacks they might well succeed in preventing any contraction of business from developing into anything more than a minor recession. It might well be, as was also stated in the *Survey*, that there would only be a short-term inventory recession provided long-term investment remained unaffected. That meant that, at least in the reasonably near future, the under-developed countries in general, and the exporters of industrial raw materials in particular, would have to reckon with only minor recessions in the industrial countries.

6. Nevertheless, such a minor recession would be enough to throw the economies of primary producing countries out of gear. In his introductory statement at the 934th meeting, the Secretary-General had pointed out how development in the under-developed countries could be disrupted by an inventory shift in the industrial countries and a movement in the prices of primary commodities. At the same meeting, the Executive Secretary of the

Economic Commission for Asia and the Far East (ECAFE) had proposed a sort of compensation scheme to make up for any loss to the under-developed countries of foreign exchange, resulting from fluctuations in the prices of primary commodities. That suggestion deserved serious consideration, but it must not be forgotten that price instability would not only cause losses of foreign exchange, but might also seriously shake business confidence, which might well be the more damaging effect.

7. The immediate question, then, was whether the industrial countries were in danger of an immediate economic recession. The *Survey* stated that governments had expressed no concern that total demand would be insufficient to maintain full employment, but it also pointed out that the rate of expansion in the industrial countries was slowing down, a matter which was bound to have adverse effects on the countries exporting raw materials.

8. Other under-developed countries were primarily exporters of food, and the *Survey* contained an excellent discussion of the low income-elasticity of the demand for that commodity. Another factor had, however, come into play in recent years: the drive on the part of the food-importing countries to make themselves more self-sufficient. That was no new development, but its effects had not made themselves felt in acute form until after the Second World War, when, with the lag in world demand for many major agricultural products, exporters had been confronted with shrinking foreign markets and falling farm prices. The foodstuffs especially affected had been cereals, sugar and, to a lesser extent, meat. According to the analysis in the *Survey*, there were deep-seated social and economic considerations favouring the drive towards greater self-sufficiency in food, and the difficulties of the food-exporting countries would be aggravated so soon as the Soviet Union and the countries associated with it regained their traditional position as exporters of foodstuffs. How the traditional food-exporting countries were to adapt themselves to that changed situation was another of the urgent problems with which the under-developed countries were faced.

9. However, the main concern of the under-developed countries, whether exporters of raw materials or of food, was economic development. He would accordingly say a few words in support of the new definition, put forward by the Executive Secretary of ECAFE, of the goal of economic development. It could have a threefold aim, using *per capita* real income as the yardstick. The minimum target should be to keep *per capita* real income from falling. The next aim would be a rising *per capita* real income and hence a rising standard of living, the third stage being reached when *per capita* real income was rising more rapidly than in the industrial countries, so that the gap between the incomes of the developed and the under-developed countries was gradually narrowed.

10. The Chinese delegation was pleased to note from the *Survey* that a social climate favourable to economic development had evolved during the past decade. Such development postulated a number of pre-requisites, but the central requirement was still finance. The magnitude of the financial problem could best be grasped by refer-

ence to the countries of the ECAFE region, which were distinguished from those elsewhere by relative poverty and economic stagnation. In the introduction to the *Economic Survey of Asia and the Far East 1955*,¹ it was pointed out that in 1954/1955 the *per capita* agricultural production had still been 14 per cent below its pre-war level. In view of the predominantly agricultural nature of the region and the rapid increase in its population, especially since health and sanitary conditions had begun to improve, it was highly probable that in many countries in South-east Asia and the Far East real income *per capita* had declined. The table on page 3 of the *Economic Survey of Asia and the Far East* supported that view: of the nine countries listed, only two showed a definite increase in their *per capita* income in recent years as compared with 1938.

11. If that tendency was to be arrested, and, indeed, reversed, the rate of capital formation in the region must be speeded up. According to an estimate made in the *Economic Survey of Asia and the Far East 1954*,² it would require US \$2,000 million worth of additional foreign exchange each year, in addition to the foreign exchange and domestic savings already available, to raise the *per capita* income in the ECAFE region by a mere 2 per cent per annum. There were only four sources from which such additional foreign exchange could be derived: an improvement in the terms of trade of the primary producing countries; an expansion of their exports; an inflow of private foreign capital; and an inflow of public foreign capital.

12. The only encouraging feature of the situation was the rise in the prices of certain raw materials, including rubber, tin and cotton, produced by the ECAFE countries. On the other hand, the prices of foodstuffs, such as rice, sugar and coconut oil, had moved against the producing countries in that region. The exports of the under-developed countries there had scarcely increased since 1950. Exports of some industrial raw materials had, perhaps, risen slightly, and might continue to do so, but world trade in food had shown little or no sign of long-term improvement. Moreover, any attempt to boost the export of primary commodities might force down their prices disproportionately, and diminish, rather than increase, income derived from them.

13. In that connexion, he wished to say a few words about trade restrictions in relation to the communist puppet regime on the mainland of China. No serious economist would today advocate or defend restrictive trade practices, nor would any responsible government propose them. The free flow of trade had in fact been universally recognized as one means of improving economic and financial conditions throughout the world. It should be pointed out, however, that trading with an aggressor against the United Nations, and in violation of General Assembly resolutions, was both immoral and illegal. To earn a few dollars from the forces of evil was ethically unjustifiable, and could only bring discredit on the countries engaging in such traffic.

¹ United Nations Publications, Sales Number: 1956.II.F.1; *Economic Bulletin for Asia and the Far East*, Vol. VI, No. 4.

² United Nations Publications, Sales Number: 1955.II.F.3; *Economic Bulletin for Asia and the Far East*, Vol. V, No. 4.

14. So far as private foreign capital was concerned, except for the petroleum- and mineral-producing countries, the net flow was probably away from the under-developed countries rather than towards them.
15. Thus the prospects of higher prices, improved trade and more foreign private capital were very poor, and there was no escaping the conclusion that the only remaining source of additional foreign exchange for countries in Asia and the Far East was foreign government and international organizations.
16. In that connexion, the Chinese delegation wished to echo the statement in the *Survey* to the effect that responsibility for economic development was not confined to the under-developed countries, but must be shared by the entire world. Economic development was not simply a moral obligation: it was a political necessity. Poverty bred discontent, and that discontent had been fanned into the fire that was sweeping the Orient and many other parts of the world. International stability could not be restored until poverty had been stamped out in the free world, and that would be impossible of achievement unless the industrialized countries were prepared to give more aid.
17. So much for the long-range economic problems of the under-developed countries in the ECAFE region. So far as the more recent past was concerned, it was satisfying to learn that an increase in output had been achieved with relative price stability and improved balances of payments.
18. During the past decade the economy of the area under his Government's control had shared many of the features of the general economic picture of the ECAFE region as a whole. He proposed to give a brief sketch of the economic progress achieved in the Province of Taiwan since its restoration to China in 1945, beginning with a description of output in a few key sectors since 1945.
19. The pre-1945 record output of rice in Taiwan achieved in 1938 had been 1,402,400 metric tons. The Pacific war, with its shortages of shipping, farm workers and imported fertilizers, had caused rice production to decline to 638,828 metric tons in 1945, when it had fallen short of demand by 25 per cent. The successful solution of the rice problem since 1945 had been one of the most important single factors responsible for the relative stability of the island's economy. By 1950, the pre-1945 record had been not only equalled, but surpassed. Output in 1955 had reached 1,733,000 metric tons, or 25 per cent above the pre-war peak, and a further 170,000 tons had been exported. The island had undoubtedly become one of the few bastions of the free world which was self-supporting in food.
20. In 1943, Taiwan's electric power system had reached its peak installed capacity at 177,000 kW, but by the end of the war the figure had fallen to 33,720 kW, owing to damage wrought by typhoons and Allied bombing. The 1943 capacity had been restored by 1950, and subsequently doubled. Side by side with that increase in installed capacity, output of electricity had also increased, Taiwan's *per capita* figure being the highest in that part of the world, with the exception of Japan, Singapore and Hong Kong.
21. Taiwan's main industry was sugar. In 1945, production had dropped as low as 30,000 tons, but by 1953 it had recovered to 920,000 tons, of which 875,000 had been exported. The International Sugar Agreement had been concluded that year and, although China had been allocated the second largest export quota, the actual figure had been far below what the island could produce and spare for export. It had therefore been necessary to make a drastic reduction in the area under sugar, but despite that reduction output had again risen to 800,000 tons in 1955, more than Taiwan could consume and export under the Agreement. That had created for the sugar industry an acute problem of surplus disposal.
22. All the other pre-1945 industrial production records, including those for coal, paper, sulphuric acid, caustic soda, cement, petrol and cigarettes, had been exceeded to a lesser or greater degree in 1955, while progress in the new industries of cotton textiles and chemical fertilizers had been still more rapid. The development of the textile industry in Taiwan had not really got under way until 1952, since when the number of spindles had been increased sixfold and that of looms eightfold. The output of cotton yarn had increased from 7,255 metric tons in 1951 to 25,232 metric tons in 1955, the output of cotton fabrics having trebled over the same period. In fact, Taiwan was now not only self-supporting in cotton yarn and fabrics, but had surpluses available for export. Imports of raw cotton, which accounted for 98 per cent of the island's consumption of that material, had increased from 9,600 metric tons in 1950 to 29,800 metric tons in 1955, but shortage of foreign exchange, coupled with the world-wide over-production of textiles, was impeding the further expansion of the industry.
23. Taiwan was now producing 160,000 tons of fertilizers per year, an increase of 500 per cent over the 1939 figure. Nevertheless, the greater part of its requirements had still to be imported. To save much-needed foreign exchange, plans had been made to raise domestic production of chemical fertilizers to 402,000 metric tons per year.
24. Thanks to increased production in both the industrial and the agricultural sectors, Taiwan's national income had trebled between 1946 and 1954, in which latter year it had been twice as large as the pre-1945 maximum. That was a higher rate of increase than the comparable figure of 40 per cent for the under-developed countries as a whole.
25. Owing to the rapid increase in population, *per capita* income had not done so well. Nevertheless, it had doubled between 1946 and 1954, by which year it had risen to about 16 per cent above the pre-1945 peak. Though that figure compared favourably with the figure of 5 per cent for the under-developed countries as a whole, it fell short of the 25 per cent increase in western Europe and the 45 per cent increase for the developed countries as a whole.
26. Thus, in respect of both total and *per capita* income, the achievements of his Government and the people of Taiwan had exceeded those of the under-developed countries as a whole. In absolute terms, however, Taiwan's *per capita* income, though among the highest in that part

of the world, was still extremely low by Western standards.

27. The greatest help in laying the foundations of a constantly expanding economy had been provided by the programme of land reform, both urban and rural, which had fundamentally transformed the landlord-tenant relationship on the island. It had attracted much attention from Taiwan's foreign friends, and, in view of the Council's interest in land reform, he would give a brief sketch of his country's experience in that field.

28. Land reform had begun in Taiwan in 1949, with a reduction in land rent from an average of 55 per cent of the gross output of the land to a maximum of 37.5 per cent. The economic, social and political effects of that reduction, modest as it had been, had been tremendous. Economically, it had resulted in an increase of 17.5 per cent in tenant farmers' gross income, but as the tenants had previously had to spend large sums on rent, water, seeds and fertilizers, the increase in their net income would amount to no less than 55 to 65 per cent. To that must be added the increased income resulting from the expansion in production directly stimulated by the rent reduction programme.

29. The rent reduction programme had also had political effects. Communists in Taiwan had immediately launched a campaign to wreck the programme, in an attempt to undermine the prestige of the Government and to reduce the people's confidence in it. Communist agents who had been apprehended had, however, admitted that they had found it extremely difficult to win over the contented farmers, despite all their efforts.

30. In 1953, a programme for establishing peasant ownership had been launched by the Land to the Tillers Act. Under that programme, which had now been completed, each landlord had been allowed to retain a fixed amount of his lands for his own subsistence; the rest had had to be sold to the Government at a price equal to 2.5 times the annual gross output. To prevent inflation, the price had been paid in redeemable bonds and shares in government-owned industries. The land had then been sold at cost price to the tenants, who had been given ten years in which to pay for it by half-yearly instalments. They had thus been relieved of the necessity to pay any more rent. Though their present outlay was not substantially less than it had been during the rent reduction programme, the greater part was now being devoted to investment and, once the purchase price had been paid off, peasants would be liable only to taxes, amounting to some 10 per cent of their gross income compared to 37 per cent at present. Largely thanks to those land reforms, the Chinese peasant had never fared better than in Taiwan today.

31. Having completed its land reform programme, his Government had turned its attention to urban land, with the threefold object of preventing speculation by imposing a progressive land-value tax, at the same time limiting by statute the total area any one owner might hold; of making more land available for industrial and residential building; and of using the unearned increment in land values for the general benefit, mainly by means of the tax on them. The tax was assessable on the increased value of the land and payable upon its conveyance for

reasons other than succession, allowance being made for enhanced value due to improvements made by the landlord. Revenue from the tax was to be used exclusively for the construction of low-cost, low-rent dwellings and for social welfare purposes.

32. Despite progress both in agriculture and industry, Taiwan's economy had run up against certain difficulties. Between 1946 and 1954 the population had increased by 2.6 million, an increment of 3.5 per cent per annum. The island had to maintain a large military establishment as one of the necessary sacrifices in the war against world communism. In addition, the sizeable expenditure on rehabilitation and development had inevitably affected economic stability and the balance of payments. By 1950, the runaway inflation of the immediate post-war years had been arrested, and virtually complete stability had been achieved by 1954. Nevertheless, towards the end of 1955, owing to drastic cuts in imports, that stability had been disturbed, but only for a few months, and with the experience now gained inflation could in future be more effectively combated.

33. Taiwan was continuing to build up a free and strong economy for the welfare of its people, and shared the hope of all under-developed countries that more international capital would be made available to hasten the pace of its economic growth and the improvement in its standards of living.

34. Mr. ABELIN (France) said that the *World Economic Survey 1955* (E/2864), summing up world economic development since the end of the war, showed that political difficulties had led to an economic break between East and West which had got steadily worse until 1954 and had seriously affected the world economy. The great resulting increase in expenditure on armaments had profoundly disturbed the economies of all countries. Since 1950, in particular, some of the most highly skilled labour and the best raw materials had been earmarked for armaments production. Stock-piling of armaments and strategic raw materials had slowed up the production of consumer goods. There had been a definite political improvement, but it was too recent for a conclusion to be formed as to whether it had had any appreciable effect on living standards.

35. Though it was good that political leaders should exchange visits and try to know one another better, and that cultural and artistic experience should be exchanged, the economic effects of such events would take a long time to make themselves felt.

36. Nevertheless, despite the obstacles to economic development, the Secretariat's balance sheet was in his delegation's opinion reassuring in many respects. Analysis of the Secretariat's reports showed that since the war the world economy in general had developed more rapidly than during any other period of comparable length since the beginning of the century. The position had been particularly satisfactory in the industrial countries during the last three years. The increase in production had been accompanied by an expansion of international trade, particularly within certain regions. The French delegation, which had often in the past emphasized the advantages of regional trade co-operation, was pleased with the increase and with the results obtained

especially through the establishment of the European Payments Union (EPU) and the agreement on liberalization of trade between the countries members of the Organization for European Economic Co-operation. It also thought that the plan known as the European Coal and Steel Community, the establishment of which had cost several of its member States some sacrifice, had yielded quite successful results, especially in helping Italy, a country which had a large population and had suffered a great deal from the war.

37. The French delegation thought that more attention would have to be paid in the future than in the past to the development of inter-regional trade. In considering such problems it would have to be remembered that some of the under-developed countries belonged to EPU and benefited from its machinery; that others belonged to the dollar area; and that only a small number, whose trade, according to the *World Economic Survey 1955*, accounted for only one-fifth of world trade, did not belong to any of the great monetary areas of the world. Means would have to be found of developing the trade of those countries, which still lacked the advantages of an organized payments system.

38. The movement of the terms of trade in a direction relatively favourable to the under-developed countries was another encouraging factor.

39. Unfortunately, the rise in living standards resulting from the increase in production and trade had been extremely uneven, progress having been much greater in the industrialized than in the under-developed countries. However, no sort of economic law could be deduced from a period of only ten years. Furthermore, as appeared from one of the tables in the *Survey*, any assessment of such trends would have to be made with great circumspection, since there were great differences in increase of production per head between, for example, Africa, the Middle East and Asia.

40. Moreover, some of the ideas thrown out in the *Survey*—for instance, the information about the rate of expansion and average *per capita* income in Asia and Latin America respectively—might strike the layman as contradictory.

41. Prospects in the Middle East, an area to which the authors of the *Survey* had attached particular importance, were described as favourable, and the figures for income from petroleum production were indeed encouraging. The wealth of some of the countries of the Middle East had undoubtedly grown, owing to international effort, which was still, however, insufficiently co-ordinated. If account were taken only of the increase in wealth due to petroleum production and the sparse population of the area, by comparison with other areas of the world, the conclusion that the countries of the Middle East were in highly prosperous circumstances was inescapable. Such deductions showed that the analysis of the situation was a very delicate process, and that it would be an oversimplification simply to compare the development of the more highly industrialized countries with that of the economically less developed ones. Development ought to be studied over a sufficiently long period, and a sound analysis of the economic position of the under-developed countries must take into account the considerable differ-

ences existing between one region and another and, indeed, between one country and another.

42. The world was now experiencing a period of boom, but the search should be continued for remedies—especially international ones—for the remaining weaknesses of the world economy.

43. At its present stage of development, agriculture lacked a sound and rational basis alike in the Eastern countries, in the industrial countries of the West, and in the under-developed countries. Economically, that situation led to a disturbing gap between the prices of industrial and those of agricultural products, and the purchasing power of the farming population as a whole showed a tendency to dwindle. In certain countries in course of development, industrialization plans were usually financed at a heavy cost to the peasants. The position was similar in the industrialized countries, where it was becoming increasingly difficult to maintain rural purchasing power. Although governments might guarantee the farmer high prices, the problem of surpluses was likely to become insoluble and to jeopardize any such guarantee.

44. He had no panacea for the situation, but merely wished to make one or two comments suggested to him by a study of the *Survey*. It seemed fairly clear that during the coming five or ten years the Western, and especially the North American, countries would find serious difficulty in disposing of their surpluses of farm produce and in preventing them from increasing.

45. In the meantime, the difficult position of agriculture in the countries with a centrally planned economy could not be greatly improved for several years. It might therefore be possible to engineer a fruitful flow of farm produce from west to east. The French delegation attached particular importance in that respect to the recent conclusion between Canada and the Soviet Union of a long-term agreement concerning deliveries of wheat to the USSR.

46. In the under-developed countries with large populations, whether or not they had planned economies, it seemed particularly important to promote agrarian reform and industrial development concurrently, as the only means of absorbing surplus manpower and producing a balanced increase in both agricultural and industrial output. That aim would, however, not be achieved if the industrial development had to be financed at the expense of agricultural income. It was therefore not enough simply to pursue or to speed up agrarian reform in order to remedy the agricultural crisis in the under-developed countries; it was also essential that industrialization should be financed by the community as a whole with the help of foreign capital.

47. In industry there had been a tendency since the spring to a slackening in the rate of expansion which might have serious repercussions on the under-developed countries which had been unable to take advantage of the stimulus provided by the boom of the past few years. It was therefore necessary to seek means not only of preventing a decline in economic activity, but also of maintaining if not increasing its rate of development.

48. The *Survey* rightly emphasized the fact that the European countries were no longer building up dollar

reserves as large as those of a few years ago. While it would be wrong to talk of a dollar shortage, the surplus in the United States balance of accounts was again tending to increase in a rather disquieting way.

49. A slackening in the rate of investment, especially in industry, might be a wise move in the light of certain signs of contraction in some industrial sectors, of the rapid increase in productive capacity, particularly in the industrial countries, and of the ominous signs of inflation. On the other hand, the rapid increase in population, the headlong advance in technology, and domestic and international competition together made it impossible for undertakings and governments to relax their efforts to increase productivity.

50. The constant increase in investment was certainly likely to aggravate inflationary trends, which were particularly marked in certain countries. If the problem of investment were looked at only from the long-term point of view, there was a danger of disregarding the more immediate inflationary pressures and structural disequilibrium that would finally check the rate of development. If, on the other hand—as the authors of the *Economic Survey of Europe in 1955* (E/ECE/235 and Corr.1 and 2) had stated—attention were devoted solely to releasing the inflationary pressures, the danger became that of arresting economic development and even of provoking serious recessions.

51. Inflation could be cured by making use of the agricultural surpluses existing in many industrialized countries.

52. The great investment effort made in certain industrialized countries since the end of the war had not always been clearly understood in those countries themselves. The French delegation was, however, firmly convinced that that effort, necessitated by the devastation and disorganization caused by the war, would soon produce a much more stable situation. It could also be hoped that military expenditure would fall off within the next few years; some countries had already reduced, and others proposed to reduce, their defence budgets. It was essential, however, that reductions in conventional weapons and their concomitant expenditure should not be offset by new expenditure in other defence sectors. The French Government had often expressed its conviction that the easing of tension which had come about since the Conference of Heads of Governments would continue.

53. Again, if in the future investment resulted in an extension of automation threatening the economic stability of the industrial countries, he thought it could be combated by progressively reducing working hours. The very large investments made in those countries did not seem for the moment to present any serious dangers.

54. Though during the last ten years economic expansion had been almost continuous in France, nevertheless, his country, like all the industrialized countries, was confronted with a number of problems. Certain inflationary pressures persisted; the increase in the population after 1945, which had brought the birth-rate up to 18.5 per 1,000, made it necessary to plan the creation of the requisite number of new jobs between now and 1960; since the beginning of 1956 France had again had an adverse balance of payments, due to increased

imports of raw materials necessitated by economic expansion; exports had declined somewhat, particularly those of foodstuffs, as a result of the very bad weather at the beginning of 1956.

55. On the other hand, the gross national product had increased by 30 per cent since 1949; demand had risen, especially for foodstuffs, and agricultural production had increased to an equal extent, or even more; industrial production was constantly increasing and, during the second quarter of 1956, had risen to almost twice the 1938 level. Since 1952, real wages had risen by nearly 20 per cent. The period of paid holidays had been extended, and steps had recently been taken to improve the lot of needy aged persons. In many respects France considered itself in the van of social progress.

56. The trade and clearing procedures of the franc area made it possible to guarantee to under-developed countries and territories of that area regular markets for primary commodities at remunerative prices. It was argued that the prices of industrial products sold in exchange for such commodities were too high; but, as a result of the large investment made in France and in the franc area, the gap between the prices of industrial products and those of primary commodities could be reduced so long as the international political situation was not too uncertain. France was endeavouring in the franc area to ensure stable prices and advantageous marketing conditions for raw materials and primary commodities.

57. Furthermore, France had for several years been making an effort to increase investment in French Africa.

58. In that respect, the book figures should be interpreted with care. The reduction in investment in overseas countries in 1954 as compared with 1953 did not accurately reflect the true situation, for there was always a gap between the completion of work and the booking of the corresponding expenditure. Thus, as was mentioned in the report of the Commissaire général aux plans de modernisation et d'équipement, investment in French overseas territories had actually been about 10 per cent higher in 1954 than in 1953. That increase was substantiated by the increase in capital goods during the same year. In 1955 the loans granted by France to under-developed countries in the franc zone had been worth 600 million dollars.

59. The report *Economic Development in Africa 1954-1955* (E/2881) made no mention of the progress achieved in the production of electric power in French tropical Africa. That had increased by 21 per cent between 1953 and 1954, and in some places exceeded the needs of industrial and private consumption, leaving a surplus which could be used for industrialization.

60. Those facts showed that, in the economic unit which the franc zone constituted, there was machinery for meeting essential development needs. That zone was, moreover, endeavouring to play a growing part in international trade, as was shown by the rise in exports from African countries to Europe in recent years.

61. His delegation would refer in greater detail to the economic development of under-developed countries when items 4 and 5 of the agenda (Economic development of under-developed countries, and Financing of

economic development) came to be discussed. It felt that the position of those countries would depend largely on the attitude towards them taken by the industrialized countries. It took the view that the latter should primarily concern themselves not only with the stabilization of commodity prices, but also with the foreign exchange incomes of the countries of primary production, for the results of international action to that end had so far been somewhat disappointing and much inferior to those obtained in some currency zones. The effort to improve the terms of trade to the utmost should also be continued. One method of doing so in the not too distant future consisted precisely in a broad investment policy which would make industrial products available to the under-developed countries at more favourable prices. The under-developed countries should also be enabled to benefit lavishly by technical progress, to save them costly experimentation. An example of such benefit was the technical knowledge placed at their disposal through the International Conference on the Peaceful Uses of Atomic Energy, held at Geneva in 1955.

62. His delegation had suggested the holding of a scientific conference on the utilization of new energy resources other than the atom, a proposal which the Council had very definitely supported in principle at its twenty-first session (925th meeting).

63. He was pleased to note that private undertakings were increasingly exchanging technical information, so that the under-developed countries could establish not only a classical heavy industry, but even the most modern technical industries such as that of electronics.

64. The problem of technical development was one of the most complex with which the under-developed countries were at present faced in their relations with the industrialized countries. The very rapid advance of technology created a new danger for the under-developed countries, because the present technical gap between them and the industrial countries—not the gap in the volume of production—might widen during the next few years. The solution of that problem would require new methods and a great imaginative effort, and his delegation would look with favour on exchanges of information and co-operation of the kind that had come into being with the International Conference on the Peaceful Uses of Atomic Energy.

65. His Government had earlier agreed that assistance to the under-developed countries should be multilateral and within the United Nations, and it therefore supported the establishment of the Special United Nations Fund for Economic Development. The French Minister of Foreign Affairs had accordingly put forward a plan for international co-operation in the provision not only of financial, but also of technical and commercial assistance to the under-developed countries. Such a plan would not only strengthen such co-operation, but would also lead to the co-ordination and centralization of the action, thereby rendering it more effective.

66. The French Government was of opinion that satisfactory agreements on the forms of international assistance to under-developed countries were as important for the future of the peoples as discussions in the Disarmament Commission or the agreements which might be

concluded in that field. Any breakdown of the agreements on assistance to under-developed countries would be extremely regrettable, but they must be observed not only in the letter, but also in the spirit. The Council had a grave responsibility in that field, and the French delegation therefore felt somewhat uneasy when it found that some very important items on the agenda were examined far too quickly and, equally, very gratified when the discussion was thorough enough to engender hope of real progress.

67. As the French Government's representative, he urged the Council not to attach too much importance to discussions on the world economic situation at the expense of other questions on the agenda, some of which were of considerable importance and deserved serious study.

68. In conclusion, he thanked the Secretary-General, who had attended the discussions on the world economic situation, and was glad that the Under-Secretary for Economic and Social Affairs was also in Geneva. He would also like to express his gratitude to the Secretariat for the outstanding reports they had submitted. The thoroughness and efficiency with which the work had been carried out were most encouraging.

69. Mr. ZAKHAROV (Union of Soviet Socialist Republics) said that during the past few years there had been some lessening of international tension and a greater desire for peaceful co-operation which was creating the necessary conditions for a lasting peace. The Council, in discussing item 2 of its agenda and deciding upon its future tasks in respect of the world economy, should take as its starting-point the need to encourage in every possible way the development of international economic relations and to engender a feeling of trust between governments and peoples. The principle of peaceful co-existence among countries with different social systems had been proclaimed by Lenin, still remained a cardinal feature of his Government's policy, and was receiving increasing recognition. As Mr. Khrushchev had pointed out at the Twentieth Congress of the Communist Party of the Soviet Union, the world was faced with two alternatives: peaceful co-existence, or a war of unparalleled destruction.

70. The Soviet Union Government considered that international problems could only be solved by negotiation, the task of negotiators being not to accuse one another, but to establish mutual confidence. His Government had already given practical proof of its faith in that principle, in the talks held and personal contacts made with the statesmen of India, Burma, Afghanistan, the United Kingdom, France, Norway, Denmark, Sweden, Finland, the Federal Republic of Germany, Yemen, Cambodia and Iran, which had been of benefit to the future expansion of economic, scientific and cultural relations. Similarly, useful exchanges of views had recently taken place with Egypt, Syria, Lebanon and Greece.

71. In analysing the world economic situation, he wished first to draw attention to the continued diversion by some countries of vast material and financial resources to re-armament. His own country had not waited for the conclusion of a disarmament agreement before making

large-scale reductions in its armed forces and military expenditure. In 1955, its armed forces had been reduced by 640,000 men, and a further reduction affecting 1,200,000 men was in progress. The Soviet Union had recently agreed to the new United States proposal about the size of armed forces, and had reasserted its readiness to sign an agreement for the absolute prohibition of nuclear weapons. A reduction in armed forces and military expenditure would undoubtedly have favourable repercussions on the world economic situation.

72. The Soviet Union Government, being very conscious of the importance of the peaceful application of atomic energy for the further development of international collaboration, was co-operating on a considerable scale in that field with many countries, regardless of their social structure, and had just addressed a proposal to European governments and to the United States of America for a European conference to consider a regional organization to that end.

73. His country would continue its efforts to strengthen peaceful co-existence and economic and cultural co-operation, and would support any steps taken in that direction.

74. He proposed in his statement to mention only a few features of his country's economic development. More detailed information could be found in published documents. The Soviet economy was geared to peace and opened up broad possibilities for full development and an increase in productive capacity for the greater well-being of the population. Internal contradictions were unknown to an economy which expanded rapidly and without interruption. Thanks to the successful fulfilment of the two five-year plans carried out since the war, total industrial production in 1955 had been 4.2 times greater than in 1946, and 3.2 times greater than in 1940. Taking steel as an example, he said that in 1940 output had been 18.3 million tons, whereas in 1955 it had grown to 45.3 million. It was significant to note that before the war production in Germany had been 21.5 million, and in the United Kingdom 13.2 million tons, so that the Soviet Union was now producing more than twice as much as Germany had produced before the war and more than the United Kingdom and the Federal Republic of Germany were together producing now. By 1960, the Soviet Union would have increased its output to 68.3 million tons; in other words, almost as much as was now being produced in the whole of western Europe. The situation in other important branches of industry, including the engineering industry, was similar.

75. Parallel with, and as a result of, the development of heavy industry, production of consumer goods had also increased significantly. For example, the output of cotton, woollen and silk textiles in 1955 had been 6,000 million metres, 251 million metres and 526 million metres respectively, compared with 4,000 million metres, 120 million metres and 77 million metres in 1940. Production of foodstuffs had also risen considerably; for instance, in 1955 fish products had totalled 2.5 million tons compared with 1.4 million tons in 1940, production of animal fats had increased from 226,000 tons to 459,000 tons, and sugar production had increased from 2.2 to 3.5 million tons.

76. Average annual growth in industrial production for the years 1951 to 1955 had been 13 per cent, about 2.5 times as great as in the United States of America and three times as great as in the United Kingdom.

77. The sums earmarked by his Government for capital investment were an illuminating measure of the scale of Soviet economic development under the present five-year plan, the annual amount being almost 200,000 million roubles. He knew of no western country which could match that rate of investment.

78. The Soviet Union was planning by 1960 to increase the total volume of its industrial production by about 65 per cent, and that of agricultural production by 70 per cent, above the 1955 level. The results already obtained under its five-year plans were so outstanding that they had already received general recognition.

79. Achievements during the first six months of 1956 were proof of the good progress being made under the present plan. Total industrial production had been 12 per cent higher than during the first part of 1955, and substantial increases had taken place in the output of important commodities. Output of consumer goods was also growing. Those facts refuted the assertion made by the authors of the *World Economic Survey 1955* that there had been a decline in the rate of industrial development in the Soviet Union.

80. There had also been a sharp rise in agricultural production. Capital investment in agriculture had grown considerably during recent years, having amounted in 1954 and 1955 to 34,400 million roubles, or 30 per cent greater than during the years 1946-1950. Modern equipment was being supplied on an increasing scale, so that again the thesis expounded in the *Survey* about shortages in that respect was not borne out.

81. At present, the sown area in the Soviet Union was 194 million hectares, an increase of 37 million over 1953, and good harvests were expected in 1956, particularly in Kazakhstan and Siberia. There had also been a significant improvement in livestock production and the output of milk and meat had increased. The authors of the *Survey* were quite mistaken in thinking that there was a potential threat of a reduction in *per capita* consumption, because in fact the increase in the output of agricultural products was considerably outstripping the growth in population.

82. Standards of living were rising in the Soviet Union, the real wages of the workers having increased by 39 per cent and the real income of peasants by 59 per cent during the years 1951 to 1955. The argument put forward in the *Survey* about the continuous decline in the share of consumption in the national income was false. The recent law on pensions was one of the most important measures for improving national well-being. Working hours were also being reduced without a corresponding cut in wages.

83. In other socialist countries, industrial production for peaceful purposes was also growing, and standards of living were improving. For example, industrial production had doubled in China since the establishment of the People's Republic. Such countries were winning an extremely important position in the world economy, and were now accounting for about 30 per cent of world

industrial production, the Soviet Union's share being over one-fifth. The establishment of trade relations on a footing of equality and mutual advantage, the exchange of technical knowledge, mutual aid and the co-ordination of national plans, were important features of economic development in socialist countries. The Soviet Union was helping in the construction of numerous enterprises and industrial installations, and had granted long-term credits totalling 21,000 million roubles on most favourable terms. Never before in history had a highly industrialized country voluntarily helped others to build up their own industries. For example, his country was doing everything possible to help China, having supplied equipment to a value of over 8,000 million roubles, apart from help in industrial construction.

84. But all those facts did not mean that socialist countries were, as suggested in the *Survey* and by the Netherlands representative in his statement at the 934th meeting, confining their efforts to helping one another. In reality, they were seeking to extend economic relations with other countries on a basis of equality and without interference in domestic affairs.

85. In discussing item 2 of the agenda, special attention had to be devoted to the economic development of less developed countries. After the war, radical changes had taken place in Asia, Africa, the Middle East and the Far East, and the peoples of those regions were now a powerful factor in international relations; their influence on the world economic situation was growing, so that it was not surprising that one of the major problems of modern times was their economic development and the closing of the gap between them and the more industrially advanced countries. During the post-war years many countries had won independence, but the economic progress of those which had not managed to free themselves from the colonial yoke was being hampered. The governments of many less developed countries which had achieved independence had realized that without a fully developed economy based on domestic industry they would never catch up, and that that aim must be achieved first and foremost by exploiting domestic resources and by their own efforts. Consequently, the Governments of India, Burma, Indonesia, Egypt and others had already announced a policy of industrialization and of agricultural expansion, and many had already put in hand bold economic plans. They were entitled to expect disinterested and varied economic help, shorn of any military or political conditions and provided on equal and advantageous terms.

86. In order to achieve their aims, those countries were making increasing use of the experience gained in the Soviet Union and the Peoples' Democracies. They no longer had to beg for modern equipment, which they could now obtain from socialist countries without having to assume any kind of political or military obligations. Thus, firm economic and trade relations were being built up between the Soviet Union and the countries of Asia, the Middle East and the Far East, and trade agreements had already been concluded with Egypt, Syria, Lebanon, Yemen and Pakistan. Mutually advantageous trade and other forms of economic co-operation were developing between the Soviet Union and India. The Soviet Union was strengthening its economic relations with Burma

and Afghanistan, and was developing direct trade with the Indonesian Republic. Prospects of increasing economic co-operation with Iran were also opening up. Existing relations between his country and the Argentine, Mexico and Uruguay, were of benefit to both sides and were creating economic, cultural and other links. There were also prospects for a considerable increase in trade with other Latin-American countries.

87. His delegation believed that effective and far-reaching measures within the United Nations for providing economic and technical help to less developed countries were essential, and considered that technical assistance funds should to a large extent be used to help the industrialization of those countries. The Council should also direct itself to reinforcing their economic independence, to putting an end to the dominion of colonial powers, to assisting in their industrial development and training of manpower and to raising their standards of living.

88. Turning to another subject, he said that his remarks about some of the problems being experienced by the industrialized countries of the West were inspired by the desire for a frank and useful exchange of views. On the whole, the economic development of those countries since the war gave no grounds for optimism. Indeed, as was stated in the *Survey*, it was giving rise to serious concern. The post-war increase in production had not been healthy, having been characterized by a lack of balance and stability. In that respect, the economic position of the United States of America, which greatly influenced that of other countries, particularly in Europe, was very indicative. During the post-war period, there had been three serious recessions. Economic expansion in the United Kingdom and France had been slow and unbalanced. The financial situation of western countries was also unsound, and a number of them were experiencing an agricultural crisis.

89. Similar trends in industry had been apparent in 1955. Moreover, at the end of that year, and particularly during the first six months of 1956, there had been a slackening and even a decline in industrial production in a number of countries, particularly in the United States of America. All that pointed to serious economic difficulties and a contraction in effective demand. In addition, over-stocking, both industrial and agricultural, had affected the level of production and employment. According to incomplete official figures, in 1955 there had been three million wholly unemployed in the United States of America, and strikes in the steel industry would hardly have occurred had all been well.

90. In that connexion, he wished to inform Mr. Baker, who had taken upon himself the thankless task of defending the activities of the armed bands in Poznan, that they had nothing in common with the Polish workers. That had even been admitted in the American press. On 30 June the *New York Journal-American* had reported that the Senate had decided to allocate, within the appropriation for foreign aid, the sum of \$25 million for financing underground activities behind the Iron Curtain of the kind which had resulted in the Poznan disorders. That admission hardly called for further comment. It was perfectly obvious to the workers of Poland and other countries that the anti-popular demonstration in Poznan

had been financed out of funds voted by the American Senate. However, the agents thus employed had met with proper resistance on the part of the Polish workers, and the plans of the knights of the cloak and dagger had come to naught.

91. Reverting to the question of unemployment, he observed that in Italy it stood at about two million and in the Federal Republic of Germany at about one million. Moreover, the amount of partial unemployment had risen considerably during the post-war period. Those facts seemed far removed from the picture drawn in the *Survey* and by certain speakers in the Council.

92. It was not the Council's task to create uncertainty and spread gloomy forebodings, but it had to be recognized that in a world where economic co-operation existed the economic successes or failures of one country were bound to affect others. In that connexion he expressed regret that in a number of countries defence contracts were continuing to absorb a large part of industrial production and that vast resources were being squandered unproductively. There could be no doubt that the difficulties of a number of western countries would not be overcome until the armaments race had been abandoned, and it was a pity that the *Survey* had not devoted serious attention to that question. The Council should do everything possible to see that the burden of military expenditure was reduced.

93. The difficulties of western countries would also be greatly alleviated by a general expansion of trade. Unfortunately, that was being frustrated by the policy of some among them. In addition, an unfavourable situation was being created by unfavourable trade balances. During 1955, for example, imports by western European countries from the dollar area had been twice as high as their exports to that area, and that had not been fortuitous. Their present economic situation required careful study and it was regrettable that the difficulties they were experiencing had not been adequately brought out in the reports submitted to the Council.

94. It was no exaggeration to say that the solution of certain economic problems, the creation of confidence and peace and security, depended upon trade and economic co-operation of all kinds. As Mr. Bulganin, Prime Minister of the Soviet Union, had emphasized during his recent visit to London, trade was not only an economic affair, but also created trust between governments and peoples and helped the settlement of political problems. Mr. Bulganin had pointed out that it was impossible to consider disarmament without developing trade and removing all obstacles and discrimination preventing the establishment of normal relations between States.

95. The Soviet Union Government was developing economic relations with all countries ready to co-operate with it on terms of equality and mutual advantage. It was, for instance, developing its trade with Finland, Norway, Denmark, Sweden and the United Kingdom. When in England, the Soviet leaders had informed the United Kingdom Government that, if all obstacles and discrimination were removed, the Soviet Union could during the coming five years increase the value of its purchases from that country up to 9,000 million to 11,000

million roubles. The French government delegation which had visited Moscow in May had also been informed that on the same conditions the volume of trade between the Soviet Union and France could, by comparison with the 1955 level, be trebled or quadrupled within three years.

96. Trade relations were also being established with Italy, Belgium, the Netherlands, Greece and other countries, and an agreement had been signed with Canada at the beginning of 1956 which opened up hopeful prospects to the advantage of both countries.

97. The Soviet Union's stable trade relations with many countries were based on long-term agreements governing deliveries of specific commodities, and he had given that brief account of its relations with western countries to show the kind of possibilities open to countries genuinely interested in beneficial international co-operation. Trade could have grown to much larger proportions during the past years had it not been for the artificial barriers, including the embargo lists, set up by certain governments, which had not only failed to obstruct the development of the socialist countries, but had also increased the difficulties of the West and made its external trade even more unstable. It was for the Council and the regional economic commissions to work for the removal of those barriers. At present, not everything was being done in that direction, as he would have occasion to point out in his comments on item 2 (b) of the agenda. The Yugoslav delegation's proposal at the 936th meeting concerning the convening of an international economic conference deserved support.

98. It was abnormal that there should still be no universal international organization for trade co-operation within the framework of the United Nations. His delegation believed that the time was fully ripe for its establishment, and would therefore be submitting a draft resolution (E/L.734) urging governments not to relax their efforts to expand international trade and, in particular, to take the necessary steps as soon as possible to eliminate all discriminatory restrictions and obstacles, and recommending that an organization for trade co-operation open to Member and non-member States alike should be set up within the United Nations.

99. Mr. DE FREITAS-VALLE (Brazil) said that during the last ten years the Council had deployed its efforts in two distinct sectors: first, it had tackled the tasks of reconstruction necessitated by the ravages of war and of restoring the general economy to its pre-war equilibrium; secondly, it had considered the need to bring about a new, and superior, world equilibrium through the economic development of the under-developed countries.

100. The measure of the Council's success was to be gauged from the world economic surveys presented annually by the Secretary-General. In the opinion of his Government, those economic analyses had become more and more useful to Member States; indeed, for the under-developed countries they had often been almost the only means of keeping in touch with the great problems with which the world economy was beset. In the case of the *Survey* for 1955, the Secretary-General and his staff were to be congratulated on their penetrating and

impartial analysis of the ten years of post-war economic activity.

101. In the general field of reconstruction and restoration of economic activity in the war-devastated areas, the record was brilliant. Moreover, it was undoubtedly superior to that of the decade following the First World War. Greater though the destruction wrought by the last war had been, recovery had been more rapid and more general. Economic crises generated by the war had been more easily overcome, and long-standing problems of disequilibrium and stagnation had yielded in part to the forces of development. In that connexion, he took the opportunity of acknowledging the great assistance the United States of America had lent to bringing those results about.

102. Nevertheless, international disequilibrium, in the form of a world-wide dollar shortage, had persisted long after pre-war levels of output had been regained, emergency imports had ceased and accumulated demand had been largely met. In developed industrial areas, the cause of such disequilibrium was no longer the needs of reconstruction, but a drive for economic expansion which had produced a great demand for capital goods from the dollar area and had resulted in unprecedented levels of economic activity. In that sense, it could be agreed that the world's economic development had proceeded apace. The growth of productivity and employment in industrial countries had led to a substantial rise in *per capita* income, and to greatly superior levels of living, by comparison with the pre-war period.

103. Nevertheless, significant as had been world economic development as a whole, it could not be said that adequate progress had been made in solving the specific problem of the economic development of the under-developed countries. Side by side with the economic development of the industrial countries there had been virtual stagnation in the under-developed countries. Whereas in the developed countries *per capita* output had risen by about 45 per cent over the pre-war level, the rise in the under-developed regions appeared to have averaged no more than some 5 per cent.

104. As the United Kingdom representative had pointed out at the 935th meeting, the fact that American aid had been primarily directed towards western Europe should not be allowed to detract from the fact that it had released dynamic forces which had benefited the whole world by increasing European demand for the products of other areas. It was quite conceivable that a good proportion of the improvement in the terms of trade of the primary producing countries was to be ascribed to that increased demand. If that were the case, it might be pertinent to ask whether the gradual reduction and eventual cessation of American aid, which from 1953 to 1955 had still amounted to US \$5,200 million in non-military aid and to US \$7,900 million in military expenditure, might not lie behind the strong tendency of the terms of trade of those countries to deteriorate during 1955. It might likewise be appropriate to point out that, grateful as the under-developed countries might be for the indirect benefits they had thus secured, the great discrepancy in the rate of growth between the two groups of countries was a striking demonstration of the inadequacy of that indirect approach to their development. That was the

more true in that the income-inelasticity of demand for primary commodities must perforce cause the over-all demand for the primary exports of the under-developed countries to increase far more slowly than the growth of income itself in the industrial countries.

105. In that connexion, he felt obliged to express the great concern his Government felt about future prospects. Brazil had been one of the few countries whose terms of trade had improved substantially since the last war, resulting in unprecedented rates of growth in the Brazilian economy. The Brazilian Government fully recognized that, from a theoretical standpoint, more might have been done with the available resources, but the same was true of almost any other country. From 1950 to 1954, *per capita* real income had increased at a rate of 6 per cent per annum, a satisfactory figure in view of the fact that the Brazilian population was increasing at a rate of 2.5 per cent per annum—an absolute increase of more than 110,000 per month. In 1955, however, the deterioration of the terms of trade in coffee, cocoa and cotton—the three major Brazilian exports—had reduced the absolute growth of real income from an average of 8.4 per cent to 1.1 per cent. That drastic drop had reduced the *per capita* income of the Brazilian population for the first time since 1942.

106. In the *Economic Survey of Latin America for 1955* (E/CN. 12/421) it was pointed out that development in Latin America was linked with the behaviour of the external sector and that the terms of trade, when favourable, impinged upon the internal economy of the Latin American countries and pervaded every aspect of their economic life, with the result that external demand was still the principal factor governing development. The phenomenon was therefore general throughout the whole continent.

107. During the post-war years, the general level of Brazilian investment in relation to income had been relatively high. The real rate of liquid investment, after depreciation, which had been as high as 10 per cent of the national income, had risen to 13.6 per cent in 1952, but had since declined, reverting to the 1947 level in 1954 and falling further to 8 per cent in 1955. That drop could not fail to have adverse effects on the future growth of the national income of a country whose population was increasing by about 1,500,000 a year.

108. One of the most important factors in the setback to the Brazilian economy in 1955 had been the sharp deterioration in the country's terms of trade. The prospects for the international side of Brazil's economy were far from brilliant. Indeed, it would be unrealistic to expect any rise in the prices of Brazil's major exports; on the contrary, a further deterioration in the terms of trade was to be expected, and, worse still, a negative influence from the capital side of the balance of payments, as a result of the need for redeeming a series of short-term commercial loans.

109. In the case of the three major products which accounted for about 80 per cent of Brazilian exports, the price-elasticity of foreign demand was such that any sizeable increase in the volume of Brazilian supply would reduce rather than increase Brazil's export earnings. The *Economic Survey of Latin America for 1955* pointed

out that the degree to which Latin America's exports could be absorbed by the world market was determined in the case of raw materials by the state of economic activity in the more highly developed countries and, in that of foodstuffs, by a low income-elasticity of world demand. In the case of coffee, Brazilian exports had increased in 1955 by three million bags over the 1954 figure, but the proceeds from those increased sales had been almost \$100 million below the previous year's level. Income from cotton had also decreased by more than \$100 million.

110. The Brazilian Government had been taking all possible steps to ensure the better utilization of the available resources, in order to increase the productivity of new investment, and to attract public and private foreign capital, but it was well aware that a further deterioration in its terms of trade would frustrate all efforts on the part of the Government to offset it.

111. Available statistics seemed to show that the present world economic structure held the seeds of spontaneous forces that conspired against the economic development of the under-developed countries. Leaving aside the short-term fluctuations in the prices of primary commodities, it appeared that in the fifty years preceding the First World War the terms of trade of primary commodities, in relation to industrial goods, had declined by about 40 per cent. In 1947, those price relationships had deteriorated by a further 20 per cent for the primary producing countries. Had the 1913 level of prices prevailed in 1947, the under-developed countries would have profited to the extent of some \$2,000 million to \$3,000 million from trade alone. In the circumstances, the improvement in their terms of trade up to 1955 had been far from sufficient to make up for the long years of constant drain on their economies. The improvement for primary producing countries appeared, however, to be nearing its end, and the long-term trends were again asserting themselves.

112. That trend was by no means limited to the internal arena, but was discernible in the price relationships of industrial and primary products in industrial countries themselves. So far as could be seen, there was nothing in the cost structure of the production of both those types of product capable of determining those trends in relative prices. On the demand side, however, the situation was different. Everything pointed to the income-inelasticity of the demand for primary commodities in general, together with the high income-elasticity of the demand for industrial goods, as the probable cause of the long-term trends.

113. If that were indeed the case, the solution must necessarily be the rapid industrialization of under-developed countries which, beyond other desirable results, would reduce the supply of primary commodities and bring about an increase in the output of industrial goods, which in its turn should improve the terms of trade for the former. But a rapid rate of industrialization such as would bridge the gap between the two groups of countries would by definition require greater imports of capital goods at a time when the prospect of a further general long-term deterioration made that the more difficult. As was pointed out in the *World Economic Survey 1955*, balance-of-payments difficulties

might well limit the rate of capital formation even when savings were adequate to finance higher levels of investment: that was precisely why international investment was so important. In fact, as time went on the industrial lag of the under-developed countries increased and the possibility of further development decreased, so that from a structural point of view the problems of initiating or accelerating economic development became progressively more intractable and the amount of outside capital required became greater.

114. The situation with regard to international investment was far from satisfactory. The United States of America, which was still the only large provider of capital to independent under-developed countries, had directed most of its public and private investment towards the more advanced economies. Canada had accounted for over one-half of the total private investment from North America in the last few years, and of those direct investments, 45 per cent had gone into petroleum industries, leaving only 15 per cent of Canada's share for manufacturing industries and a mere 2 per cent for the all-important railways and public utilities sector. In public investment, where a corrective trend might have been introduced, there was the same tendency to invest in industrialized areas, and even the International Bank for Reconstruction and Development had assigned one-third of its recent loans to developed countries.

115. His Government fully admitted the principle that economic development was primarily the responsibility of the under-developed countries themselves, and was grateful for the help being given to that development. It was largely owing to the generosity of the American people that the present climate of understanding and co-operation in the international economic field had been created. But he believed that when the result of existing economic trends and governmental policies had been to increase the gap between the advanced and the less advanced countries, it might legitimately be asked whether the scope and scale of the present programmes and policies represented the optimum contribution which could be made by the advanced countries to what seemed to be the accepted objective.

116. Mr. DESSAU (World Federation of Trade Unions), speaking at the invitation of the PRESIDENT, said that the World Federation of Trade Unions (WFTU) had concentrated its attention on finding out to what extent the development of the world economy could enable satisfaction to be given to the workers' claims in respect of employment, wages, living conditions, housing and social security.

117. If the results obtained in countries with a centrally-planned economy were not yet commensurate with the workers' needs, the outlook was nevertheless favourable, as was confirmed by certain measures recently adopted in a majority of those countries and designed in particular to shorten the working week, to raise the wages of the lower-paid groups and to increase pensions, as well as by various measures for stimulating consumption.

118. In industrial countries of private enterprise, improvements in living standards, where they had occurred, had mainly been due to action by the workers themselves. In other words, increased production had not automati-

cally brought higher wages and improved working conditions. Trade union action, either in the form of continuous pressure for more favourable collective bargaining or in the form of widespread strikes, had been the deciding factor. Moreover, wage increases had lagged noticeably behind the increase in output, and still farther behind the very rapid and considerable increase in profits.

119. WFTU was in full agreement with the statement in the introduction to the *World Economic Survey 1955* that the increased economic activity in industrialized countries was largely due to special or temporary factors, and it thought the authors were right to issue a warning against the powerful forces of instability generated by the process of growth.

120. The same causes were responsible for the tendency to inflation which was causing wage increases to lose their value. Moreover, the very high level of military expenditure was a permanent inflationary factor hampering all attempts to bring about a genuine improvement in the situation. The measures adopted in some countries to combat inflation by restricting credit, purchasing power and the volume of employment, were, in WFTU's opinion, not merely ineffectual, but dangerous, for they tended to accentuate the economic disequilibrium which lay at the very root of inflation. The working classes were the chief sufferers, and in present circumstances they were not prepared to forgo their wage claims, and were resolutely opposed to any policy which would increase unemployment and thereby lead to wage cuts.

121. With regard to the problem of automation, he thought that large-scale repercussions on the volume of employment could only be prevented if there was a rapid and uniform expansion of production in the industries concerned. But at the present time purchasing power seemed inadequate to absorb the increased output of the engineering industry, the sector in which automation was making the swiftest headway. Hence, the big trade union conferences which had recently taken up the problem had recommended first of all an increase in purchas-

ing power, together with the maintenance of the level of employment, continued payment of wages in case of redundancy and the reduction of working hours. WFTU considered it essential that the Council should concern itself with those problems.

122. He also thought that automation directly raised the question of a reduction in working hours, which, in turn, raised economic problems and was bound to have serious effects on production, effects which should be studied by the Council.

123. In the under-developed countries, new, positive factors were emerging, and efforts to promote economic development and industrialization had become more systematic. But production had increased less there than in the industrialized countries and there were dangerous weaknesses in the structure of the foreign trade of the under-developed countries. Standards of living had been raised in some of them, but had substantially declined in others.

124. The trade unions in the under-developed countries were taking a firmer and firmer stand on economic development problems, and supporting efforts to develop their countries' economies independently and systematically. They were aware of the need to consider economic development and industrialization requirements in staking their claims; but they maintained that not only was there no conflict between economic development and higher standards of living, but industrialization could proceed only when accompanied by an increase in the purchasing power of the masses and an expansion of the domestic market.

125. In conclusion, he wished to reiterate that when examining the world economic situation the constant concern of WFTU was to see that standards of living were raised — an urgent and immediate necessity for the hundreds of millions of men and women still living in insecurity and poverty.

The meeting rose at 5.50 p.m.