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President : Mr. Daniel COSÍO VILLEGAS (Mexico)

Present :

Representatives of the following States: Afghanistan, Bulgaria, Chile, China, Costa Rica, Finland, France, Mexico, Netherlands, New Zealand, Pakistan, Poland, Spain, Sudan, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Venezuela.

Observers for the following Member States: Argentina, Greece, Guinea, Ireland, Israel, Italy, Japan, Peru, United Arab Republic.

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

Representatives of the following specialized agencies: International Labour Organisation, Food and Agriculture Organization of the United Nations, International Monetary Fund, World Health Organization.

The representative of the International Atomic Energy Agency.

AGENDA ITEM 2

World economic situation

- (a) Survey of the world economic situation (E/3244, E/3256, E/3266 and Add.1; E/ECE/345; E/CN.12/498 and Add.1 and Corr.1)
- (c) General Assembly requests pertaining to international co-operation in economic fields (E/3202 and Add.1/Rev.1 and Add.2-6)

GENERAL DEBATE (*continued*)

1. Mr. NABI WOULA (Observer for Guinea), speaking at the invitation of the President, said that the Economic Commission for Africa had adopted a resolution asking that Guinea should be given priority in United Nations assistance programmes (E/3201, resolution 2 A (I)). He wished to express to the Council the gratitude of the Government and people of Guinea.

2. Guinea had already received United Nations experts and hoped that the present team would be joined by experts from organizations which had not hitherto provided assistance.

3. The action the United Nations was taking in Guinea was of exceptional importance. It was an experiment that was being watched with interest by the whole of Africa, and its success would provide an example of what disinterested assistance could do for the under-developed countries.

4. Mr. FIRYUBIN (Union of Soviet Socialist Republics) stressed the practical importance of the Council's task of developing international economic co-operation, which would contribute to the relaxation of international tension.

5. The *World Economic Survey, 1958* (E/3244) made it possible to evaluate the changes that had taken place in the world economy during 1958. The *Survey* showed that the total industrial output of the capitalist countries had decreased by 2.5 per cent as compared with 1957. The decline was due to the recession in the United States, which had reached the proportions of a world economic over-production crisis. That was proved by the wide range of countries and the large number of vital economic sectors involved. Another reason for the deterioration in the economic situation was the extent of spending on the armaments race, which had hastened inflation. In many countries, too, unemployment was at a high level. Furthermore, the recession had damaged economic relations between States and led to a decrease of nearly 6 per cent in goods turnover in the capitalist countries as compared with 1957.

6. The position of the less industrialized countries, whose economy depended upon the export of raw materials, had been particularly unfavourable. He drew attention to a passage in the introduction to the *Survey*, which pointed out that a most serious aspect of the industrial recession was its impact on markets for primary products and that the decline in primary product prices, together with the increase of industrial prices, represented a loss of over \$2,000 million in both the real income and the import capacity of primary producing countries.

7. The loss was due to the fact that western countries had drastically cut their purchases of raw materials. At the same time, however, trade between the less developed countries and the socialist countries, whose planned economy was not exposed to slumps, had continued to expand successfully. The *Survey* referred to a number of agreements concluded between those two groups of countries and stated that they had had a stabilizing effect on the foreign trade proceeds of the primary commodity exporters. The *Survey* also drew attention to the favourable influence that trade with the socialist countries had had on the economies of various countries of Asia and the Middle East. The main reason for the dependence of the economically less developed countries on primary

commodity markets was that they were one-crop countries and their dependence could be reduced only through general, comprehensive economic development. At the same time, steps should be taken at the international level to stabilize primary commodity prices and to narrow the gap between them and the prices of manufactured goods. At the fifteenth session of the Economic Commission for Asia and the Far East (ECAFE), the USSR delegation had submitted a proposal for agreements on the exchange of industrial equipment for the raw materials and other exports of the less developed countries, granting them credits on favourable terms.

8. The year 1958 had seen further economic progress for the socialist countries. In the Soviet Union, the 1958 plan had been exceeded in all the main sectors of the national economy. The USSR delegation could not, however, share the Secretary-General's opinion that the socialist countries paid too high a price for their industrialization; socialist economy developed in strict accordance with the state plans, which provided for systematic improvement in the welfare of all groups of the population. With regard to the inference in the *Survey* that growth rates in socialist countries were bound to slow down, he pointed out that the rate of increase in industrial production was still, as in previous years, approximately 10 per cent per annum. The Soviet Union was now first in Europe and second in the world in volume of industrial production, and its share of the world output in 1958 had amounted to nearly 20 per cent. The target figures for the first five months of 1959 had also been exceeded, and showed an increase as against the corresponding period of 1958. Moreover, those achievements were accompanied by a steady rise in the standard of living and real income of the Soviet people.

9. The *Survey* showed a sharp rise in the 1958 industrial and agricultural output of the People's Republic of China — which was referred to throughout as "mainland China". The achievements of China were so great that they called for the Council's particular attention. Industrial output had increased tenfold between 1950 and 1958, and in 1958 industrial output had increased by 60 per cent as compared with 1957, while the total crop yield had more than doubled. The Chinese people intended to make their country highly industrialized and to modernize agriculture, science and culture within fifteen to twenty years. It was indeed regrettable that the People's Republic of China was not represented in the Council.

10. The USSR delegation considered that the Council had not yet sufficiently explored the possibilities of developing comprehensive economic co-operation, especially of co-operation on a regional basis among all the countries and territories of a region, irrespective of social, political and economic conditions. There had recently been a regrettable tendency in western Europe to form restrictive economic groups. The Common Market group, for example, aggravated differences between countries, hindered general economic co-operation and was contrary to the principles of the United Nations Charter. Its effect had been to split western Europe into separate economic blocs and it could only lead to strained relations between States. Furthermore, the Common Market was a threat to the economies of the less developed

countries, which were anxiously trying to find ways of averting the dangerous consequences of its establishment.

11. The USSR delegation advocated the establishment of four regional trade organizations: for Europe, Asia, Africa and Latin America. In that connexion, he drew attention to the proposal made by the USSR at the fourteenth session of the Economic Commission for Europe (ECE), concerning the creation of an all-European regional trade organization (E/3227, paras. 239-242). That proposal had been supported by a number of European States and was being studied further (*ibid.*, resolution 1 (XIV)). The proposed trade organizations would promote trade within their respective regions, explore the possibilities of expanding trade between regions, give advice on trade policy, provide for settlements between members and so forth. They could promote the development of economic co-operation and international division of labour for the benefit of all countries of their regions and could also facilitate the conclusion of long-term trade agreements between those countries, in accordance with the resolutions adopted at the thirteenth session of the General Assembly on peaceful and neighbourly relations among States (resolution 1301 (XIII)) and on the promotion of international co-operation in the field of trade (resolution 1322 (XIII)). Moreover, the establishment of regional trade organizations would pave the way for the subsequent creation of a world trade organization. He cited Mr. Khrushchev's statement to the effect that foreign trade was the basis of the peaceful co-existence of States and that economic ties created a foundation for strengthening political relations between countries and easing international tension.

12. The Council should bear in mind the need to expand and consolidate the single world market by all available means. That need was made evident by the growth of world industrial production, the development of international division of labour, the broadening of technical facilities, communication and exchange, the discovery of new sources and the expanded use of old sources of raw materials and power, the growth of population and the emergence of new States. The existence of different political and social systems did not necessarily mean a disruption of economic ties; on the contrary, experience had shown that artificial attempts at such disruption were in the long run doomed to failure. For instance, as the *Survey* showed, it was not only the trade of the socialist countries among themselves that had increased in 1958, but also their trade with non-socialist countries. The foreign trade turnover of the socialist countries, which had amounted to 92,849 million roubles in 1958, reflected their real contribution to the development of international economic co-operation.

13. In the period between 1950 and 1957, the industrial output of the socialist countries had increased by 136 per cent, while that of the capitalist countries had increased by only 58 per cent between 1948 and 1957; the role of the socialist countries in the development of the world market would increase immeasurably and would afford greater opportunities for the expansion of international economic co-operation. The USSR delegation considered that, in the interests of developing the world market, the United Nations could usefully act as an intermediary in estab-

lishing contacts between the Organization for European Economic Co-operation (OEEC), which comprised the countries of western Europe, and the Council for Mutual Economic Aid, which comprised those of eastern Europe. Contacts might also be established between other economic and foreign trade organizations.

14. In recent years, the Soviet Union had submitted specific proposals to various United Nations bodies on the expansion of international trade. For instance, ECE and ECAFE had considered Soviet proposals for an agreement on economic co-operation, an agreement between all interested countries on measures to facilitate trade between them, the convening of a conference of foreign trade ministers of the ECE countries, and mutual economic and financial aid to promote economic development. Unfortunately, attempts were being made in the West to misrepresent the aims of Soviet foreign trade policy and to cast doubt on the prospects of trade relations with the Soviet Union. The USSR had always respected mutual interests in its economic relations and had never taken advantage of the difficulties of other States in order to secure concessions for itself.

15. Experience had shown that a genuine desire for trade development on a mutually advantageous basis ensured success. The Soviet Union had been developing trade with less industrialized countries, and its total volume of trade with them had increased more than fivefold between 1953 and 1957. Those countries were being provided primarily with machines and equipment, never with goods which might compete with their home products. They could obtain Soviet products without drawing on their gold or foreign currency reserves, since they were allowed to make counter-deliveries of their traditional exports. The Soviet Union also granted them long-term credits on favourable terms, helped them to build industrial enterprises and gave them extensive technical assistance.

16. In 1958, the volume of trade between the Soviet Union and capitalist countries had been three and a half times greater than in 1950. It was only with the United States that it was still difficult to establish normal trade relations. Mr. Khrushchev had addressed a message to President Eisenhower, in June 1958, suggesting effective joint measures to develop trade; but the Soviet Union had as yet received no concrete proposals from the United States Government on the subject.

17. One of the best ways of expanding economic co-operation was to promote the conclusion of long-term trade agreements: the Soviet Union had concluded such agreements with a number of countries. The agreement with the United Kingdom was for five years, and an increase in orders from both sides was expected in the first year of its operation. Exchanges of industrial and technical information would also take place between the organizations and firms of the two countries. It would be useful if the United Nations were to pronounce itself in favour of extending the practice of concluding long-term trade and other agreements.

18. The USSR delegation considered it expedient to take steps, within the framework of the United Nations, to promote an exchange of scientific and technical knowledge on a long-term basis. Experts of various

countries on such subjects as power supply, the iron and steel industry, housing and transport had established contacts through United Nations regional commissions, and efforts were being made to organize co-operation on automation, labour productivity and the production of plastics and artificial fibres. Recent experience had shown that such contacts and co-operation were mutually advantageous, and the USSR delegation intended to propose that the Council request the Secretary-General to submit, for consideration at its next session, a programme of measures for international scientific and technical exchanges covering a period of five to seven years. Such a programme might, in particular, provide for international conferences and seminars on such subjects as automation in industry, the use of new synthetic materials, the application of cybernetics and electronic techniques and modern methods of increasing crop yields. Practical steps might also be taken to promote exchanges of scientific, technical and economic data and samples of equipment, exchanges of specialists and the holding of exhibitions. The USSR delegation intended to submit draft resolutions on those questions, and hoped that members of the Council would give them favourable consideration.

19. Mr. ORKOMIES (Finland) expressed his delegation's appreciation of the *World Economic Survey, 1958*.

20. Referring to the question of targets and means of economic policy, he suggested that the economic set-back of 1957 and 1958 had led to a reappraisal at the national and the international level. The meaning given to such targets as price stability and full employment had recently changed, particularly in the industrialized countries, and it was rightly stressed in the *Survey* that in many countries price stability had come to be interpreted as price rigidity, whereas the interpretation of full employment allowed considerable flexibility in employment. One reason for that development might be the general dissatisfaction with creeping inflation. In countries which were dependent on the development of world trade, however, the reappraisal had been the result of balance-of-payments difficulties which it had proved difficult to overcome, under conditions of over-full employment, without resorting to quantitative restrictions.

21. The Finnish delegation associated itself with the observation in the *Survey* that new weights given to targets of economic policy had resulted, at least on a short-term basis, in a slower rate of growth of the world economy. It was difficult to direct economic policy so as to avoid both secular inflation and cumulative deflation, and the corollary was that for a national policy the achievement of a balanced and rapid economic growth was still an unsolved problem. Hence, there were grounds for supporting the warning in the *Survey* that the world had not yet learnt how to avoid the costs of recurrent industrial slumps. On the other hand, the experience of recent years had shown that creeping inflation should not be avoided by creating crawling deflation. It was, however, surprising to read in the *Survey* that policies which checked the long-term rate of growth might tend to aggravate rather than alleviate long-term inflationary pressure.

22. With regard to the analytical side of the problem, he thought that production, prices and money should be included in the same analysis on short- as well as long-term bases and that the formulation of economic policy had not been based on sufficiently disaggregated methods of analysis. Even if the Council were to admit the need to apply more specific measures instead of relying on a general regulation of over-all demand, the practical and theoretical problems would not be easy to solve; setting aside the political implications of disaggregated policy, however, he thought the consensus of opinion was that research along those lines should be pursued.

23. The problem of the international margin, or of sufficiency of foreign exchange reserves, should be particularly stressed with regard to the smaller countries, and especially the less developed among them. Even moderate fluctuations in world economic activities might put those countries in a very difficult position, since, as was recognized in the *Survey*, the major industrial countries, in shaping their own long-term rates of growth, determined the potential rate of expansion of the world economy as a whole. Consequently, since the smaller countries had only limited possibilities for independent expansionist economic policy, the industrial countries had a greater responsibility in the matter; that implied that concerted action might be required in some cases.

24. Turning to the problems of commodity trade and policies, he said that the *Survey* rightly departed from certain commonly held assumptions regarding the nature and causes of the balance-of-payments disequilibrium. According to modern analysis, a lasting balance-of-payments problem might reflect neither internal imbalance nor improper exchange rates, but only a disparity between income elasticities of import demand, which was inconsistent with the relative rates of economic growth of the trading partners. That theory had far-reaching implications. It seemed to imply that the primary producing countries might be forced to apply a selective economic policy in order to influence the income elasticity of import demand, and that the importance of developing "import-saving" industries and diversifying export industries should be emphasized in order to render the under-developed countries less dependent on world market fluctuations. The analysis in the *Survey* recognized the responsibility of the more advanced countries, and pointed out that a moderation of protectionism and fiscal charges in those countries could help to mitigate commodity problems. A similar influence might be exerted by an expanded flow of foreign capital. In addition, international comparison of national policies, the establishment of commodity study groups, the development of statistical studies and the promotion of research could contribute to the solution of the problem.

25. Development in countries like his own, where both import-saving and export industries had been developed since the First World War, differed from that in the primary producing countries and the larger industrial countries. The income elasticity of foreign demand for exports had been relatively high, and the increase in productivity in the export industries had

presumably not been lost to the importing countries. In exporting countries it had been reflected in higher incomes, which had in turn raised the demand for goods produced by import-competing industries. Nevertheless, Finnish exports still consisted of a narrow range of goods, and the national economy was relatively vulnerable to fluctuations; the question of diversification of exports had therefore become important.

26. The analysis in the *Survey* had a bearing on the policy pursued by small countries in a less advanced stage of industrialization, and if they were constantly faced with balance-of-payments problems, the long-term solution might not lie in over-all restrictive policy measures, but in structural production changes, requiring mobility of labour and capital.

27. Describing recent trends in the Finnish economy, he observed that, though Finland had been affected by the world-wide decline and stagnation of economic activity in 1958, that decline had come to a halt during the last quarter of the year and a revival had set in during the early months of 1959, affecting all economic sectors except forestry. That economic set-back and the subsequent revival differed in some respects from other similar experiences of the post-war years. In the first place, the decline had been of a relatively long duration; secondly, nearly all sectors of the economy had been affected and the decrease of production had entailed unemployment on a major scale; and thirdly, the factors explaining the set-back and the revival had been dissimilar from those of previous recessions. The set-back had reflected a slackening of demand for Finland's export products and also a process of adjustment following the devaluation and liberalization of September 1957. After the devaluation and liberalization, undertaken with comparatively modest foreign exchange reserves, it had been necessary to exercise caution in economic policy.

28. The upward trend had been mainly characterized by a revival of demand for consumer goods, while fixed investments and exports as determinants of expansion had so far remained in the background. Nevertheless, the continuation of the trend depended on the propensity to invest and on the development of exports, and an upward trend might now also be observed in respect of fixed investments.

29. The situation in Finland bore out the statement in the *Survey* that the easing in the demand pressures in the industrial group of countries had usually been accompanied by a slowing down in the rate of increase of wages and prices. Thus, despite a sizeable devaluation, the wholesale-price index had increased by only 8 per cent in 1958 and the cost-of-living index by only 6 per cent. Furthermore, earnings had been 6 per cent higher by the end of 1958 than in the last quarter of 1957. The pattern of the labour market had changed strikingly; wages had been tied to the index almost without interruption since 1942, but the index-linking had been discontinued by the end of 1958. In view of the price and wage stability achieved, and the increase of foreign exchange reserves in 1958, it had been found possible to pursue a financial and monetary policy designed to raise production activity. Depreciation allowances had been increased in order to encourage investment, and the export levy

introduced at the time of the devaluation had been gradually reduced, till it was abolished in September 1958. Foreign and domestic capital was directed towards expanding the export industries, and certain other measures had been taken to ease the money market. Those changes, arising from the need to adapt the country to new conditions, had in fact created favourable conditions for sustained economic growth in Finland.

30. The statement in the *Survey* that, on the supply side, the industrial countries were in a position to support rates of expansion at least comparable to those achieved during the last boom seemed to apply also to Finland. Nevertheless, the long-term policy of economic expansion raised some difficult problems. The widening of the international margin was indispensable to any country which depended to such a large extent on foreign trade, and the situation in that respect was expected to improve when projects for the expansion of Finland's pulp and paper industries had been completed. That improvement could only take place, however, under conditions of orderly expansion of the world economy.

31. Another long-term problem was the great increase in Finland's labour force foreseen for the 1960s. Although the ratio of saving had been high, it was questionable whether there would be enough capital to provide employment for everyone. The problem could be solved either by widening capital or by an increased influx of foreign capital. The first alternative would lead to a slowing down of the growth of per caput real income, whereas the second would probably lead to a more rapid rise in the standard of living.

32. In conclusion, he observed that rapid and balanced economic growth at the national level called for a rational economic policy with clearly-defined targets and means. At the international level, he concurred with the statement in the *Survey* that under the kind of regime of international trade and payments which had developed in recent years, the rate of expansion everywhere was bound to be influenced profoundly by the pace set by the countries in a strong position on external account.

33. Mr. LUNS (Netherlands), referring to the problem of raw material prices, said that economic and political thinking had undergone remarkable development in a short space of time. With the publication of the *World Economic Survey, 1958*, the stabilization of raw material markets had been placed on the agenda of history. It would henceforth rank in priority with the big problem of financing the economic development of the less developed countries. The *Survey* pointed out that the decline in raw material prices, as a result of the recession, together with what was called an "inching up" of industrial prices, had, in the financial year 1957/58, represented a loss of over \$2,000 million, both in the real income of the primary producing countries and in their capacity to import. Raw material problems should no longer be looked at in the narrow context of those commodities alone, but in the wider framework of economic activity and growth. Only adequate diversification of economies would offer a long-term solution, and diversified development could only be achieved by a greater flow of outside capital, both private and public, to the less developed countries, over a longer period. According to the *Survey*,

the assistance given by contributing countries meant a sacrifice by their populations of five dollars annually per head, whereas the contribution of the receiving countries worked out at no more than two dollars annually per head.

34. Under those circumstances, many countries were dependent upon the uncertain sale of their raw materials at uncertain prices. Such dependence could be lessened in the long run by diversification and development and in the short run by an international policy of stabilization of markets. There were three main trends, largely beyond control, that unfavourably affected the situation: first, the tremendous increase in population in many parts of the world; secondly, technological changes, such as the substitution of synthetic for natural fibres and the decreasing raw-material content of many products, which had caused a diminution in the demand for many raw materials; thirdly, the continuous upward pressure of wages in the industrialized countries — largely the result of collective bargaining — which affected the terms of trade of the less developed countries. That was because in a period of high commodity prices, the prices of manufactured products in the industrialized countries also rose. That rise in prices led to demands for wage increases which were bound, sooner or later, to be granted. But in subsequent periods of lower commodity prices those increased wages were not, as a rule, reduced. Consequently, the price level of manufactured goods remained relatively high compared with that of raw materials. Therefore, if stabilization of raw-material prices could mean cutting away not only the bottom but also the top of the curve of price fluctuations, the terms-of-trade situation would improve. The situation at present was such that commodity prices could be doubled or halved in a short space of time. That had happened in the case of cocoa and copper.

35. Turning to the long-term aspect of the situation, he said that in the specific case of commodity problems, the *World Economic Survey* referred to a number of possible avenues of approach, each of which might lead to an improvement in international markets for raw materials.

36. The Netherlands Government continued to believe that in the long run the primary producing countries would be best served not so much by measures to stabilize the world commodity markets as by measures which would make them less dependent on the ups and downs of those markets. That was why his government had repeatedly emphasized the necessity of aiding economic development and would continue to do so; such development could not fail to bring about more varied types of economy. The long-term process of development, which aimed beyond the stabilization of raw material prices, could, as the *Survey* had indicated, move in various directions. New economic activity would not necessarily have to be directed towards the production of manufactured goods for export. It could equally usefully be aimed at the production of goods, especially essential goods, which were at present being imported into primary producing countries. That would mean that even in times of weak commodity markets the remaining income from commodity exports could continue to be spent on capital goods, including goods needed for the

economic and social infrastructure, rather than on imports of consumer goods.

37. Referring to the short-term aspect of the situation, he pointed out that the commodity problem still existed with all its short-term urgency. No government in favour of the economic development of the less developed countries could oppose short-term measures aimed at the stabilization of commodity prices. At the present time the instability of those prices made planning virtually impossible except for the shortest periods. Domestic investments and the flow of capital from the outside often took on an emergency character. On the other hand, some degree of stabilization of commodity prices would make it possible for the countries involved to plan for longer periods, to promote their own investments, increase their rate of savings and make the outside flow of capital more continuous and thereby more effective. Only such a steady flow of capital could eventually bring about a balanced world economy. Since the flow of capital would originate to a large extent in the industrialized countries of the world, there was every reason for them to favour the stabilization of commodity prices.

38. He thought that many countries were in principle willing to accede to commodity agreements but feared that they might end up on the wrong side of a possible discrepancy between the prices under the agreement and the free market prices. But no government should stand aside when a serious effort was being made to achieve stable commodity markets. That applied both to consumers and producers of primary commodities. If compelling reasons prevented a country from actual participation, it might still be able to refrain from actions that might jeopardize the results of measures taken by others. The past year had seen a few examples of the sort of attitude he had in mind — namely, the accession of the United Kingdom Government to the International Wheat Agreement, the accession of the Italian Government to the International Sugar Agreement, and the voluntary limitation of tin exports by the Soviet Union. However, progress was slow, the more so because raw material agreements were not the only solution. There were many plans which — though technically sound — had not been put into operation, and useful studies had been made by the General Agreement on Tariffs and Trade (GATT) and the Food and Agriculture Organization of the United Nations (FAO).

39. Everyone should ask himself whether the Economic and Social Council was really living up to its responsibilities, which, he thought, included the formation of an international economic policy.

40. The Netherlands Government would prefer an international economic policy on a multilateral, world level. To be successful such a policy must be generally accepted. Many novel plans emerged and sometimes the United Nations was not even mentioned in those plans. Some partisans of the European Economic Community talked of a western European approach; but the Netherlands preferred world-wide action through world-wide organs. The USSR representative had stated earlier in the meeting that the Common Market was contrary to the principles of the United Nations Charter, but he had not substantiated that charge. The Netherlands delegation con-

sidered, however, that there was nothing in the text of the Charter opposed to the Common Market and that such regional arrangements should be welcomed by the United Nations.

41. With regard to future tasks, he wished to make three points. First, the membership of the Council would have to be increased from eighteen to twenty-four if it were to conduct a world-wide economic policy. He hoped that those who had so far opposed an increase of membership, which required an amendment to the Charter, would reconsider their position in the light of the economic exigencies of the time. Secondly, the Council should give the United Nations Secretariat more responsibility and freedom to plan an international economic policy. Thirdly, if the Council was to make policy decisions it must concentrate its work and documents on the future. It must set itself targets for world economic development and devise appropriate means, including an analysis of future trends, to reach those targets.

42. At present, government planning bureaux and other public and private bodies were issuing large numbers of projections of future trends of economic phenomena for different countries. The United Nations should take on that work on a world-wide level. The future course of a phenomenon that could not be influenced by the planner had to be taken for granted and government policy or business decisions must be adapted to it. The determination of the future course of a phenomenon on which influence could be exerted required not only projections but also planning and setting of targets. Whereas a projection was a mere estimate of what was expected to happen, a target was a quantitative objective consciously arrived at. The government of a small country would consider the country's income as something it could influence, and would therefore set certain targets for it. On the other hand, it might consider world trade to be something it could not influence. The government of a large country would do well, in its turn, to be aware of the influence it inevitably exerted on world trade by means of its own policy. Estimates concerning the future course of important international economic phenomena made by small countries were based on the assumption that the large countries would not change their policies. Estimates made by governments of large countries were based, to a greater extent, on attainable targets, and hence were better guesses. Estimates made by the United Nations would tend to be more accurate.

43. Co-ordinated forecasting had already been produced by OEEC and FAO. A set of target figures for economic trends between 1955 and 1960 had been published by the OEEC secretariat. Each year, FAO made an estimate of the world economic situation and its influences on the main staple markets. He believed that a very useful contribution to the designing of international economic policies could also be made by the United Nations Secretariat. That contribution might consist of the establishment of projections and targets for some of the basic world economic phenomena — for example, national income; investment; public expenditure and revenue; imports and exports; and capital movements. Such data should be estimated for a number of geo-

graphical areas. The most useful treatment of some of the fundamental indicators for international economic policy might consist of the calculation and subsequent discussion of a number of alternatives. That should enable the Council to make recommendations to governments and specialized agencies with regard to future policies.

44. The short-term appraisals of the world economic situation to be undertaken by the Secretary-General pursuant to Council resolution 690 C (XXVI) could be called a forerunner of the work he had in mind. An illustration of the more active role he envisaged for the United Nations was to be found in the special subject of the *World Economic Survey* — namely, commodity questions. It might be useful to request the Secretary-General to initiate active consultations with the principal governments concerned on the practical possibility of certain further measures in the field of commodities. The Secretary-General could then report on what particular measures seemed most likely to be put into effect at an early date.

45. Two major points essential to economic development stood out clearly: the transfer of capital to underdeveloped countries and the stabilization of raw material markets. The Council must take effective action. In the matter of capital aid to the needy parts of the world it must continue its exhortations and encouragement to governments. With regard to the stabilization of the raw material markets it should be willing to make a choice from a number of concrete measures for which proposals were before it.

46. With regard to the collective economic policy which could be built on the projections to be made by the Secretariat, he thought that the task which he envisaged for the Secretary-General could form a counterpart to the activity he was so carefully and so successfully pursuing in the political field. In economic matters, too, the Secretary-General could form independent views and respond to calls for assistance by the members of the Council in order that his office might be developed to as great a usefulness as circumstances permitted. The Secretary-General's statement at the preceding meeting seemed to be consistent with that view.

47. The Economic and Social Council could fashion the instruments with which to carve out an economic policy that would help to shape a better world. It remained for its members to accept their responsibilities and to proceed to do their duty.

48. Mr. TUOMIOJA (Executive Secretary, Economic Commission for Europe) said that in recent months the European economy had continued the upward trend described in the *Economic Survey of Europe in 1958* (E/ECE/345).

49. The year 1959 was the first of a new phase of intense investment activity in the countries of eastern Europe and the USSR. In Czechoslovakia and eastern Germany it was hoped thus to compensate, through rising productivity, for the scarcity of labour. Elsewhere in eastern Europe the rapid increase in the labour force which was expected in the next few years called for investment in the creation of new employment opportunities outside agriculture.

50. The rates of increase in investment planned in 1959 were reminiscent of the great investment drives of the early 1950s, but there were two marked differences from that early phase. First, investment plans were less concentrated on industrial growth and paid more attention to such sectors as housing and agriculture, which contributed very directly to raising consumption standards. Secondly, it was hoped to pursue the present investment plans concurrently with increasing consumers' incomes and real consumption.

51. The realization of the aim to raise consumption obviously depended to a large extent on a successful farming year. It was, however, too early to assess the prospects of the 1959 harvest or farm production conditions generally, particularly in view of the uncertainty about the impact on production of recent collectivization drives. In the industrial field, however, eastern European countries and the Soviet Union appeared to have started the year well.

52. The economic outlook in western Europe had continued to improve. The upturn in economic activity which had become evident in March and April 1959 was increasing, and exports in April-May 1959 from the United Kingdom, France, western Germany, the Netherlands, Sweden and Norway had exceeded their value in the corresponding months of 1958 by percentages ranging from 6 to 30. Exports to the United States of America from western Europe had risen by 34 per cent as compared with the first quarter of 1958. United States imports from all sources had increased by 13 per cent in the same quarter.

53. The factors which had accounted for the renewed expansion of economic activity in western Europe would be described in detail in the next issue of the ECE quarterly *Economic Bulletin for Europe*. Those factors were the expansionary forces which had operated in 1958 — the continued growth of private consumption, the revival of house-building activity and, in many cases, the influences of public expenditure. The factors in question had now been reinforced by the rapid growth of overseas export demand and the reversal of the stock decumulation trend.

54. As a result of the general cumulative process of expansion which had now started, and the optimistic mood likely to be created by it, 1959 might well witness a rate of growth in total output of 4 per cent rather than the 3 per cent estimated in the *Bulletin*. Such a favorable development was to be welcomed not only for the sake of western Europe but also for other countries, particularly the less developed countries of the world.

55. In the *Economic Survey of Europe in 1958* attention had been drawn to a possible re-emergence of concern with inflationary problems and the consequent need to devise methods to deal with those problems without putting an early stop to expansion. Governments should therefore in future apply any measures of restraint which might be necessary in a selective way and sufficiently early, so that they did not feel forced later to apply over-all restraints which would cause renewed stagnation and damp the spirit of enterprise which was now beginning to regain strength. Private investment was still rather slow to respond to the reversal of restrictive policy

measures, the application of new stimuli and the generally improved economic outlook. However, increases in productivity and structural changes in output and employment required to promote economic growth and — in some countries — to meet the need for a rapidly growing labour force depended on a steadily rising level of investment.

56. Mr. BOGLIETTI (World Federation of Trade Unions), speaking at the invitation of the President, said that although the primary commodity problem had not begun to alarm world public opinion until the beginning of the recession in the western industrialized countries, the World Federation of Trade Unions (WFTU) had called, as early as 1954, for the establishment of a primary commodity commission. The statistics given in the *World Economic Survey, 1958* showed that it had been justified in doing so. The *Survey* would perhaps have been more complete if it had described the repercussions of the present situation on the levels of living of the working classes.

57. The *Survey* failed to consider in any detail one decisive factor: the policies of the great international corporations. Those policies were completely beyond the control of the peoples of the under-developed countries concerned and deprived the under-developed countries of any protection against fluctuations in the prices of the raw materials they exported. The position was further aggravated by stockpiling. The possibility of organized fluctuations in the prices of raw materials and the relative stability of, or upward trend in, the prices of imported products had worsened the terms of trade of the under-developed countries and hampered their independent industrial expansion.

58. Accordingly, WFTU supported the trade unions and workers of those countries in their demands for the defence and development of their national economies, national control of foreign-owned undertakings and of their countries' natural resources, and genuine agrarian reform.

59. The authors of the *Survey* rightly stated that the solution of the primary commodity problem was to be found in the general economic development of the under-developed countries.

60. In the opinion of WFTU, it was important to bear in mind the existence of a world market and the fact that the expansion of trade was a factor in development. The expansion of trade among all countries, without discrimination, would enable the under-developed countries to resolve their current difficulties and carry forward their plans for industrialization.

61. Trade discrimination, particularly against the socialist countries, had not prevented the vigorous growth of their economies, but had hindered the development of the economies of the under-developed countries. The *Survey* stated that in the last two years the trade of the centrally planned economies with the rest of the world had had a stabilizing effect in the case of wool, rice, wheat and rubber.

62. His organization hoped that the Council would recommend effective measures to stabilize the prices of raw materials and would consider the possibility of convening an international conference to discuss the development of international trade.

63. The prospects for workers in the western European countries and in the United States were not encouraging. In 1958, unemployment had increased and the trade unions and workers had had to campaign in difficult conditions for increased wages and the maintenance of employment, as the employers were taking advantage of the economic recession and unemployment to increase their pressure. In western Europe, WFTU was calling for a selective policy of full employment to eliminate pockets of unemployment.

64. In the United States, economic activity had recovered to some extent, but there had been no substantial increase in the level of employment. The *Survey* reported that increased activity in the public sector had been the most important factor assisting the United States and Canada to deal with the recession. In his statement before the Council at its twenty-sixth session (1026th meeting), the representative of WFTU had pointed out that the expansion of public investment for social purposes was the main means of controlling unemployment. In that connexion, it was disturbing that the bulk of the increase in public investment in the United States related to military orders, which made no contribution to the long-term improvement of the economic situation. It was expected that industrial investments would increase by 7 per cent during 1959 but, as pointed out in the monthly review of the First National City Bank, most of the expenditure in the manufacturing industries would be used to replace and modernize plant rather than to increase productive capacity.

65. Workers in the private enterprise countries viewed the immediate future with anxiety. They called for measures to maintain employment, for increases in wages to off-set the rise in the cost of living and productivity, measures to maintain employment, for increases in wages for shorter working hours without any decrease in wages, and for the protection and enlargement of trade union rights and democratic freedoms.

66. His organization proposed that the Council should recommend that governments take measures to promote economic expansion and to reduce unemployment. The Council might also undertake a detailed study of the real level of unemployment throughout the world.

67. The World Federation of Trade Unions, which had taken part in the proceedings of the four regional economic commissions, wished to express the workers' and trade unions' appreciation of the contributions the regional commissions had made towards the framing of a development policy for the under-developed countries and the expansion of trade in all countries.

The meeting rose at 5.10 p.m.