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Agenda item 2:

World economic situation:

- (a) Survey of the world economic situation;
- (c) General Assembly requests pertaining to international co-operation in economic fields

General debate (*continued*) 19*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, Brazil, Colombia, Czechoslovakia, Ecuador, Greece, Hungary, Iran, Israel, Italy, Peru, Yugoslavia.

Observers for the following non-member States: Holy See, Switzerland.

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, World Health Organization.

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. NYUN (Executive Secretary, Economic Commission for Asia and the Far East) said that he would like to supplement the *Economic Survey of Asia and the Far East, 1958*,¹ by reporting on the important developments in the region during the first half of 1959. The year 1958 had seen some economic setbacks in the region, but, fortunately, towards the end of the year, there had been an improvement which had continued in the first half of 1959. In general, production had

declined slightly in agriculture, but had risen somewhat in industry. The value of both imports and exports had fallen, thereby reversing the trend of earlier years. The continuing trade deficit had been much reduced, owing mainly to the inflow of foreign aid and the decline in international reserves. Prices had continued to rise to a moderate extent in many countries, but in Japan and some other countries there had been a slight decline. In the early months of 1959, chiefly because of the recovery of the industrialized countries from the recession, production in many countries of the region had begun to rise.

2. The food situation in the region covered by the Economic Commission for Asia and the Far East (ECAFE) had greatly deteriorated in 1958, but had much improved in 1959 with the marketing of the relatively larger 1958/59 crops. The increase in agricultural production due to favourable weather conditions as well as to human effort had been shared to a varying extent by the majority of the ECAFE countries. For the region as a whole (excluding mainland China), the 1958/59 production of rice was estimated, on a milled basis, at approximately 80 million tons, or a rise of 4 per cent over the previous year, the increase being shared by all the major exporting and importing countries of the region and more than offsetting the decline in the production of wheat and barley. Events had shown that agricultural production was basic in the region and that it had to be strengthened if industrial development were to succeed. The moderate gains in industrial production during 1958 in some of the industrialized countries of the region had been offset in the regional totals by the temporary setback in Japan. However, industrial production in Japan had shown a steady improvement during the first few months of 1959.

3. The foreign trade of the countries of the region had suffered a severe setback in 1958 as the result of the recession in the industrial countries, and the decline in exports had hit nearly all of them. In terms of quantity, all important primary exports, with the exception of jute and tea, had been adversely affected: in the case of tin and coconut products, for example, the reduction had been about 30 per cent; for rice, 20 per cent; and for cotton, approximately 15 per cent. In terms of value, sugar prices had declined by one-third and rubber prices had fallen by approximately 15 per cent, with a 6 per cent reduction in volume. Among the major primary exports, only copra and rice prices had risen substantially above the 1957 levels, a situation caused by reduced supplies rather than by increased demand.

4. In order to conserve their dwindling foreign exchange and to improve the terms of trade, the Asian countries had had to restrict their imports drastically. One of

¹ United Nations publication, Sales No.: 1959.II.F.1.

the most damaging after-effects had been the sharp decline in imports of capital goods at a time when those goods were urgently needed for development purposes.

5. In the sphere of international trade, the share of the primary producing countries of the ECAFE region in world export trade had declined over a period of years, and that unfavourable long-term trend, combined with the instability of commodity prices, had raised serious problems of economic development for them. The Commission had welcomed the expression of readiness of the industrially advanced countries to co-operate in solving those problems through international action.

6. As western Europe still remained the largest market for the ECAFE region, particular interest had been shown by the Commission in the possible effects of the establishment of the European Common Market as well as in the moves towards currency convertibility. The Commission had noted the assurances given by the member countries of the European Economic Community that the interests of third countries would be adequately safeguarded; and the ECAFE countries had expressed the hope that the policies pursued by the Community would not be restrictive, but would be conducive to an expansion of world trade and that the products of ECAFE countries would be given fair and reasonable access to the Common Market.

7. In the ECAFE region there was a shortage of skilled personnel coupled with an abundance of unskilled labour. In the circumstances, the industrialization drive in most of the countries of the region was designed not only to promote diversification of the economy, but also to solve the related problems of unemployment and under-employment, with all their social, economic and political consequences. The population problem remained one of the most serious that the ECAFE countries had to face. The region's huge population, now more than 1,500 million (more than half the total population of the world), was increasing rapidly by 25.4 million per year, and it was estimated that, at the existing rate, it would exceed by 1985 the present total world population. In a region where the population density was already high and levels of living were extremely low, such a rate of population growth was liable to have serious consequences. There was now in the countries of the region a growing awareness of the gravity of the problem and of its true dimensions and implications. The Commission had welcomed the proposal to hold the next session of the Population Commission in the ECAFE region and to organize a regional population conference under the auspices of ECAFE in co-operation with the United Nations Technical Assistance Programme and the specialized agencies concerned (E/3214, resolution 28 (XV)).

8. Some of the problems in the ECAFE region could be solved only by national action. For example, any attempt to solve the population problem would have to take into consideration a number of social factors peculiar to each country. The problem of the mobilization and allocation of domestic resources was another which required determined national action. On the other hand, there were several matters which international action could greatly help to settle. The ECAFE Survey drew attention to the drain on foreign exchange resources

caused by recurrent food shortages and the need to import food. International action in that direction, taken in a sympathetic spirit and without the disruption of normal patterns of trade, could be of great assistance to some ECAFE countries.

9. Again, where the shortage of capital reflected a shortage of foreign exchange, international action by commodity and other agreements could help to ensure more stable terms of trade. The serious consequences of price fluctuations and the relatively weak bargaining position of the primary producers made it imperative that that question should be approached sympathetically by the relatively advanced countries.

10. In his address to the Council (1068th meeting) the Secretary-General had pointed out that an expanding world economy was of the highest importance to the under-developed countries. Similarly, at its fifteenth session the Commission had stressed that the maintenance of high and stable levels of employment and economic activity in the developed countries would have a favourable influence on world trade and thus help to ensure better conditions to the countries of the region, whose primary exports depended predominantly on demand from the developed countries (E/3214, para. 260). The ECAFE Survey drew attention to the fact that the trade difficulties of the primary producing countries of the region were by no means solely problems of cycles or fluctuations, but were more deep-rooted. In regard to terms of trade, the bargaining position of primary producers vis-à-vis producers of modern manufactured goods was chronically weak, their incomes being mainly dependent on the prices of primary products, over which they had no control whatsoever. As a result, it was impossible for them to plan their economic development with any degree of certainty for any length of time.

11. The newly independent countries of Asia had sought to overcome that handicap by diversifying their economies and trying to start light industries. The task was most difficult, owing to insufficient capital, lack of technical skills, a limited domestic market or inability to export abroad, and sometimes to conflict with the facts of nature, geography or local tradition.

12. At the same time, owing to the nature of modern communications, Asians could see for themselves what economic progress in the industrially advanced countries could mean for the masses in terms of better standards of living, and how machines could take away most of the drudgery while giving them a fair share of the fruits of their labour. As a result, the nations of Asia were becoming increasingly impatient with their economic situation.

13. The countries of Asia firmly believed that in the long run it was in the interests of the industrialized countries to accept stable commodity prices, for the ability of primary producers to import from the industrialized countries was reduced when their export incomes fell as a result of declining commodity prices. That was precisely what had been happening since 1957. The Asian countries felt strongly that there should be a radical and urgent solution to their pressing problems and that, in the first instance, there should be international accep-

tance of the proposition that stable commodity prices at a fair level were an international obligation.

14. In the matter of both commodity price instability and international economic aid, what was now called for urgently was a reappraisal and a revision of policies with a view to fixing long-term objectives at increasingly higher levels. The under-developed countries of Asia were convinced that if the industrially advanced countries could be persuaded to pursue such a policy of enlightened self-interest, the history of the economic development of Asia and the Far East might yet be a model of international understanding and co-operation for the years to come.

15. Mr. PHILLIPS (United States of America) recalled that fears had been expressed in the Council at the twenty-sixth session that the recession in the United States would last much longer and be more serious than the other two mild downturns that had occurred in the post-war period. He himself had expressed the view (1024th meeting) that the decline had been halted and would soon be followed by recovery. The facts had fully justified his optimism; the bottom of the recession had been reached as early as April 1958. Though the contraction had been somewhat sharper than in the two previous downturns, it had proved to be even briefer. The subsequent recovery had raised economic activity in the United States to an all-time high level. Western Europe had experienced an even milder and briefer setback, and had shared in the subsequent advance. While prices for certain raw materials — particularly those in chronic surplus — still remained depressed, for many other commodities prices had strengthened, bringing prospects of improved export earnings to many primary exporting countries.

16. In preparing part I of the *World Economic Survey, 1958* (E/3244), the authors had not only drawn up a report on current economic trends in individual countries, but had aimed at broadening perspectives, deepening understanding of the forces that shaped the evolving patterns of the world economy and achieving a greater measure of agreement as to the potentialities and limitations of proposed courses of action. There would doubtless be reservations regarding some aspects of the analysis. However, part I should at least bring home with overwhelming force the fact that the term "commodity problem" was misleading. While it emphasized as a central problem what it called a "lag" in the long-term growth of primary commodity trade, it also stressed, as a dominant short-term problem, the instability of that trade, which it regarded as adding to the long-term problem. Nevertheless, it indicated clearly that there was nothing approaching a single and clear-cut commodity problem of universal application, long-term or short-term. The commodity problem was thus a complex of varied and changing problems.

17. It was convenient, in spite of the over-simplification, to follow the *Survey* in speaking of a long-term and a short-term commodity problem. In connexion with the long-term problem, the concept of a lag might suggest something inherently unsound in the development of world economy, for example, because the volume of world trade in primary commodities had expanded more

slowly than world production of those commodities and still more slowly than the world manufacturing production. He felt sure that authors had not intended such an implication, for they had clearly shown that the lag was due to various causes, including deep-seated technological and structural changes in industry. There were no valid grounds for expecting that primary commodity trade in the aggregate should expand in a constant ratio with world manufacturing activity or any similar economic phenomenon.

18. The inadequacy of the earnings of many under-developed countries from the export of primary commodities in relation to the imports needed to help sustain a satisfactory rate of economic development, might persist for some time. The corollary was that export earnings might have to be supplemented by outside capital. There was nothing new in that, and he doubted whether anything was gained by characterizing it as a "permanent and growing gap in the balance of payments". Outside capital had long played an important role in the development of countries, including the United States and Canada. Capital assistance was at that time being directed through many channels to the less developed areas. The record of his own country in that connexion was well known.

19. So far as the short-term commodity problem was concerned, the *Survey* provided further evidence that a large part of the instability in primary commodity markets stemmed from the business cycle in the industrialized countries. In the light of present-day knowledge and techniques it should be possible to continue to contain that instability within more modest bounds than in times past.

20. There appeared to be a growing willingness on the part of countries dependent upon the export proceeds of one or two commodities to look to diversification as the soundest method of combating instability where it could not be eliminated by control of the business cycle. Even where diversification did not do much to reduce instability, it could materially diminish its impact, and it tended, moreover, to modify the export-import ratio so as to ease the long-term commodity problem. Diversification was essentially part of the process of development, and hence every step taken to advance economic development, whether through national or international action, contributed to the lasting amelioration of both the short-term and the long-term commodity situation.

21. In view of the study to be undertaken by the Commission on International Commodity Trade of possible national and international techniques for dealing with short-term instability and the separate agenda item for considering the Commission's report, he would not at that time comment on commodity agreements or other pertinent commodity schemes.

22. The speed with which economic activity in the United States had turned upward again after a nine months' decline attested to the inherent recuperative powers of the country's free economy, aided by the automatic stabilizers built into it and by the further strength infused through fiscal and monetary measures. United States economic indicators had now risen to new peaks. The index for total production (1947-1949: 100), after declin-

ing from 146 to 126 during the recession, had reached 152 by May 1959, and the durable goods index had climbed still higher, to 168, from a recession low of 131. The expansion had been carried principally by a rise in residential construction and in government expenditure, and by a sharp reversal of the trend in inventories from rapid decumulation to a degree of accumulation. Personal consumption had advanced considerably, especially in durable goods. The expansion had lagged in exports and, to a lesser degree, business investment in plant and equipment; nevertheless, investment plans were now being revised upwards, and an increase of at least 7 per cent over 1958 could be anticipated. Owing to slightly lower farm prices and lower government payments to farmers, agriculture would probably provide rather less support to the economy than in 1958, when farm prices were rising.

23. For two years prior to the recession, unemployment had remained in the neighbourhood of 2.8 million, or 4.2 per cent of the civilian labour force, which was not much above the proportion of workers changing employment or looking for employment for the first time. During the recession, unemployment had risen to over 5 million, or nearly 8 per cent of the labour force. By comparison with the strength of the recovery, improvement in the unemployment situation had been relatively slow. Since March 1959, however, unemployment had dropped sharply, and in May was less than 5 per cent. In manufacturing, weekly hours worked had gone beyond the standard forty-hour level, and average weekly earnings then exceeded \$90.

24. Significant consumer price increases had occurred only in the cost of transportation — chiefly motor vehicles — and in medical care. The increases had been counterbalanced by a downward trend in food prices, so that the consumer price index had remained virtually stable, as had the wholesale price index. Despite that stability, inflationary pressures were present in the United States economy. Monetary and fiscal policies were being shaped to retain them, and impressive warnings of the dangers of inflation were being disseminated by leaders in many walks of life. The United States Government had no fear that by checking inflation it might check economic growth. On the contrary, it was convinced that inflation could only jeopardize healthy economic expansion. He firmly believed that domestic price stability was not only compatible with growth, but was a primary element in achieving it.

25. Recent developments in the United States international payments position had attracted wide attention. Every year since 1950, with the single exception of 1957, United States payments for imports, investment abroad, military expenditures and foreign aid had exceeded foreign payments to the United States. As a result, there had been a net accumulation of dollars by other countries, which in certain years had used part of their dollar balances to purchase gold from the United States. That development, following a drastic decline in non-United States reserves in the early post-war years, was a notable reflection of the growing strength of the world economy. The replenishment of foreign reserves facilitated the expansion of world trade, the reduction of trade barriers and the lessening of discrimination against dollar goods.

26. In 1958, United States exports, which had been swollen by temporary circumstances in the previous year to record heights, declined sharply. Imports, however, were well maintained, and aid programmes were kept up.

27. While the recession had been halted before the middle of 1958, accumulations of gold and short-term dollar obligations by foreign countries of the free world and international institutions during that year had amounted to over \$4,000 million, raising their total gold and dollar holdings to nearly \$37,000 million, or twice the lowest post-war figure (June 1948). Of that \$4,000 million, approximately \$2,300 million represented an outflow of gold from the United States, mainly to western Europe. Another \$1,000 million represented an increase in foreign dollar holdings. The remainder came from new production or other sources outside the United States. Between 1 January and 20 May 1959, there had been a further outflow of gold from the United States amounting to \$346 million.

28. The strengthening of reserve positions abroad had helped to make possible the dramatic convertibility moves at the end of 1958, which had substantially contributed to a sound international monetary system. The importance of such a mechanism for facilitating the expansion of multilateral world trade was self-evident. The Soviet Union delegation favoured the proliferation of long-term agreements on what approximated to a barter basis as the way to expand world trade. That represented a retrograde step from the multilateral world trade which the United States had consistently advocated.

29. The developed countries were generally progressing. Their prosperity meant good markets for the products of the less developed countries, which in general were also moving forward, although the rate of advance was often slower than might be desired. Recognition of the vital importance of economic development was never greater nor more determined upon action; technical assistance was expanding; lessons of self-help were being learned; important developments were under way in relation to public aid; efforts to stimulate the flow of private investment were becoming stronger; world trade was progressively becoming more liberal and more multilateral, and there was widespread possession of the means and the will to keep business fluctuations within narrow limits and to restrain inflation. The world economy was stronger than it had been in the past. Built into it, moreover, was a momentum which warranted bright hopes for the future.

30. Mr. PÉREZ LÓPEZ (Mexico) said that the excellent *World Economic Survey, 1958*, was of particular interest to the under-developed countries, since it gave special attention to the problem of world primary commodity trade and its significance for those countries.

31. Although production had decreased in the majority of industrialized countries during 1958, their gold and dollar reserves had increased appreciably as a result of the easing of inflationary pressure and the fall in price of primary commodities. That was particularly true of western Europe. The reserves of the under-developed

countries, on the other hand, had fallen to their lowest level in ten years because the renewed activity of the industrialized countries had not increased the demand for primary commodities or lowered the price of manufactured goods. In 1957/58, the under-developed countries had lost over \$2,000 million in real income, and hence in the capacity to import the capital goods necessary for their development, owing to the fact that the internal production of the industrialized countries had increased more than their demand for primary products from abroad. In their anxiety to develop their economies, the under-developed countries had increased their imports of capital goods, industrialized raw materials and even foodstuffs. The balance could be restored only if their demand for imports were matched by a world demand for their exports. Otherwise, they could reach internal balance only by limiting their imports of capital goods and industrial raw materials at the expense of their economic progress.

32. The world primary commodity demand and prices depended on a large variety of factors, which rendered the problem of price stabilization particularly complex. The economic stability of the industrialized countries, although it was the most important of the factors involved, was not in itself sufficient to ensure a steady demand for primary commodities. A minor change in the demand for finished products or in the stocks of the highly developed countries could have the gravest consequences for the foreign exchange income of primary producing countries. Some of the under-developed countries, powerless to influence the world market for their products, had endeavoured to stabilize their income from exports in terms of national currency by resorting to such devices as government trading, import quotas and differential rates of exchange. They had soon discovered, however, that in the face of a fall in world prices, they were unable to do so easily without inflation, or to increase their foreign exchange income.

33. It had been suggested that foreign exchange should be accumulated during periods when world prices for primary commodities were high so as to offset losses in periods of low prices, but that course was almost impracticable for countries pressed by the urgent need for economic development.

34. The basic remedy lay in the progressive substitution of internal production for imports, and some success had been achieved in the matter of foodstuffs. The problem was, however, much more difficult with regard to manufactured goods because any intensification of internal production had the initial effect of increasing imports not only of capital goods, but also of fuel and raw materials. In addition, the semi-industrialized countries found that when their exports of manufactured goods entered into competition with the weaker sectors of the highly developed countries, they provoked a protectionist reaction.

35. The under-developed countries should, of course, endeavour to redress their balance-of-payments position by making a more rational use of their resources and by avoiding inflationary financing of investment. Investment had to be financed from real savings, both internal and external.

36. Unfortunately—as the *Survey* pointed out—except in a few cases, international long-term capital movements in the post-war period had been inadequate in magnitude and insufficiently well focused to cover the balance-of-payments deficits of most of the under-developed countries, which had thus lost gold and foreign exchange reserves and had been obliged to limit their imports. The inflow of long-term private capital into the under-developed countries, in relation to the value of their exports, was considerably less in 1955-1957 than in 1928, and the bulk of it had gone into the petroleum industry. It was true that public loans and gifts had filled the gap created by the decrease in the inflow of private capital, but since the 1920s the contribution to economic development from that source had been only about \$2 per caput annually. The inadequacy of that amount was shown by the fact that the decrease in income from exports in 1958, due to the deterioration of the terms of trade for the under-developed countries, represented a loss in their capacity to import equivalent to about six years' lending to them by the International Bank for Reconstruction and Development (Bank) at 1956-1957 rates. In that connexion, the remarks of the Secretary-General (1068th meeting) regarding the reconsideration of the advisability, even in existing circumstances, of making the expansion of aid to under-developed countries contingent upon progress in world disarmament, were of particular significance.

37. Capital imports were themselves only a temporary solution for the problem because, in order to achieve satisfactory progress and attain a balanced economy, a country should be able to finance investments with its own savings without creating inflationary pressures.

38. In view of the complexity of the factors involved, the under-developed countries were unable to solve for themselves the problem of stabilizing world demand and world prices of primary commodities. The solution lay only in international co-operation; unfortunately, the industrialized countries frequently adopted measures which reduced the demand for imported primary commodities. It was apparent that the commodity problem was only of marginal importance for the developed countries, whose rate of growth depended primarily on the internal production of industrial goods, and not on exports to the less developed countries.

39. The industrialized countries had a special responsibility for maintaining a very active internal production and internal demand calculated to provoke a demand for imports, with the resulting increase in international trade. The present pessimistic outlook of world demand and prices for primary commodities could be remedied only if the industrialized countries bought those commodities in larger quantities and at better prices. It was the rate of growth of the demand in the developed countries that determined the potential rate of growth of the world economy as a whole.

40. The chief economic problem facing the world was that of creating favourable conditions of long-term growth, particularly in the poorer countries. It was therefore essential that the economic policy of the industrialized countries should be so conducted as to benefit not only the other industrialized countries, but also

the under-developed ones — for example, by abolishing restrictions on imports from those countries.

41. Attempts made at the international level to solve the difficult problem of world trade in primary commodities had produced little positive result apart from modest achievements in statistics, research, and in cognate fields.

42. The *Survey* gave an excellent analysis (chap. 3) of the various plans put forward for solving the commodity problem, such as the establishment of a world stabilization fund. So far, however, the efforts has only produced well-meaning projects.

43. The most important outcome of the extensive discussion of the commodity problem seemed to be the recognition of the close link between that problem and the economic development of the under-developed countries and of the fact that the progress of those countries was essential to the progress and security of the developed countries. It had also become apparent that the more developed countries were in a much better position to withstand any adjustments that might be necessary in order to avoid excessive fluctuations in primary commodity demand and prices. The Mexican delegation felt that some progress could be made towards the solution of the commodity problem if those basic ideas were accepted in formulating stabilization plans or measures. It was, however, essential that not only the economists, but also governments, legislatures and national sectional interests, should accept those ideas.

44. With regard to the excellent preliminary report of the Secretary-General (E/3266 and Add.1) on the work carried out to date in connexion with short-term appraisals of the world economic situation, he suggested that the work done so far in the selection of statistical indexes should be supplemented in the near future with comments regarding more or less short-term trends.

45. In its resolution 1321 (XIII), the General Assembly had requested the Secretary-General to ask the governments of Member States for their views on the desirability of formulating a statement of the economic objectives of the United Nations and of the means of international co-operation that might serve to attain those objectives in an atmosphere of harmony and understanding. The documents so far submitted to the Council (E/3202 and Add.1/Rev.1 and Add.2-6) showed that less than one-quarter of the States Members of the United Nations had so far replied, and that there were divergencies of view among them. His delegation hoped that in a matter of such importance some common ground would be found, and some guidance given, particularly for the majority of the peoples of the world, whose economic prospects and welfare were still greatly restricted.

46. Mr. KAMENOV (Bulgaria) pointed out that under existing conditions commodity trade problems were of vital concern to more than half the peoples of the world, and therefore formed an integral part of the world economic situation. The practical purposes of the Council's work would be well served by a detailed examination of the existing situation and immediate prospects in regard to commodity trade.

47. In 1958 there had been unmistakable signs of economic recession, first in North America and then in western Europe and Japan. In the United States the main symptoms of crisis had been a fall in the output of steel, coal, motor-cars, textiles, etc., and a rise in the number of unemployed, followed by a fall in imports and in the price of imported goods, which had had a disastrous effect on the economies both of European and of commodity-exporting countries. According to the official figures, industrial production in the United States had fallen by 13 per cent between September 1957 and April 1958, and by 14.7 per cent between December 1956 and April 1958, and the number of unemployed had increased by about 2.5 million. It must not too hastily be assumed that the recession was at an end. In some branches recovery was still very slow, and the peak of the expansion period had not yet been reached. The unemployment figures continued to be very considerable — 4.75 million in February 1959.

48. Despite certain special features, the economy of western Europe had much in common with that of North America. The recession, too, had not lasted very long, and the basic industries had undergone a veritable crisis of over-production.

49. The recession in North America and western Europe had had a distressing effect on the economy of the under-developed countries which produced and exported basic commodities. It had meant for them a loss of more than \$2,000 million. Between the middle of 1957 and the middle of 1958, the price of raw materials had dropped on an average by 7 or 8 per cent, but the prices of manufactured goods exported to the under-developed countries were constantly rising. The losses suffered as a result of the fall in the export prices of raw materials were equivalent to six years' lending by the Bank. Furthermore, countries which depended on a single crop had suffered from the competition of substitute products.

50. The question was how economic development in the under-developed countries could be accelerated, and the catastrophic consequences of economic fluctuations in the industrialized countries avoided. The first principle in the matter was that the choice of the path to development rested with the countries concerned. Other countries and the international organizations could merely express opinions based on an objective analysis of the facts and on the desire to be helpful. One conclusion must be drawn: it was absolutely essential to consider means to ensure that the advantages derived from technical and economic assistance were not nullified by the effects of recession.

51. The industrialization of the less developed countries was the surest means of liberating those countries from the effects of fluctuations in world prices. It had been rightly noted in the *Survey* that the trade between the raw material exporting countries and the countries with planned economies had had a stabilizing effect. Moreover, the 2.5 to 3 per cent loans granted by the countries with planned economies for the purchase of the means of production contributed towards the industrialization of the less developed countries.

52. Chapter 7 of the *Survey* contained figures which proved that the progressive development of the countries

with planned economies was continuing. In Bulgaria, for example, the popular movement for the completion of the five-year plan in three or four years had assumed considerable proportions. In 1958/59, the Bulgarian peasants had for the first time worked during the winter season on the completion of large-scale projects. The area of arable land had thus been increased by 108,000 hectares, and that of irrigated land by 153,000 hectares. During the first quarter of 1959, Bulgarian industrial production had increased by 18 per cent. Under the revised plan, in 1962 it would be double that of 1957. Agricultural production in 1959 was to be 77 per cent greater than in 1957.

53. The analysis of the world economic situation made by the authors of the *Survey* stressed the close links between the economies of different countries. Those links, which were of primary importance at the present stage of development of the world economy, resulted from the international division of labour, and could not be broken by human effort. It must be stated that any policy contrary to economic collaboration was doomed to failure. It was no longer possible, however, to speak of world trade without thinking of trade with the countries with planned economies. The examples of economic collaboration between the countries with planned economies and countries producing and exporting

primary commodities had shown its value in mitigating the problem of international commodity trade. Moreover, countries suffering from inflation or other economic ills had reduced unemployment and improved their trade balances through economic collaboration with the countries with planned economies which provided them with both a market for their goods and the raw materials they required. Those were facts that were receiving increasingly wide acknowledgement.

54. Despite the differences between the capitalist and socialist economic systems, there were sufficient points of contact to ensure a stable and lasting collaboration. Although the currencies and financial systems of the two groups were essentially dissimilar, they could act as links and, in particular, gold — as a world currency — could bridge the gap. Again, progress in transport and communications had opened up new possibilities for co-operation.

55. International economic collaboration, including co-operation between countries with different economic systems, was both necessary and possible, and that was the direction in which the Council should seek the solution of economic and social problems.

The meeting rose at 12.25 p.m.