WORLD ECONOMIC REPORT 1948



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FOREWORD

World Economic Report, 1948 is the second comprehensive annual report dealing with world economic conditions to be prepared by the Department of Economic Affairs of the United Nations. The first, *Economic Report: Salient Features of the World Economic Situation 1945–1947,* was issued in January 1948.

The present report assembles a considerable volume of post-war economic data relating to all regions of the world, not hitherto available within the compass of a single study. As added information has become available, it has been possible to give more extensive treatment to economic conditions in under-developed countries.

The aim of the present report is to provide a comprehensive survey of the world economic situation in 1948, and to indicate major economic problems and prospects at the end of the year. In addition, present economic conditions in the various areas of the world are compared with those which prevailed before the war. Particular attention is drawn to certain significant economic trends during 1948 and the early months of 1949 which appear to call for national and international action. The report is intended to meet the requirement of the Economic and Social Council for an appraisal of world economic conditions and trends as a prerequisite for recommendations in the economic field, as well as to serve the needs of the general public.

The report consists of four parts: part I provides a global analysis of outstanding economic developments in 1948 from the point of view of production, inflation and international trade and finance. These developments are reviewed in their specific regional settings in part II. The several chapters of part III deal with selected world economic problems of current importance. In part IV, a brief account is given of the economic activities of the United Nations and the specialized agencies. In addition, a chronology has been provided of the more important international economic events of the period under review.

In preparing *World Economic Report, 1948,* the Division of Economic Stability and Development of the Department of Economic Affairs received considerable assistance from other divisions of the Secretariat of the United Nations as well as from the specialized agencies. Most of the statistical data used in the report were supplied by the Statistical Office of the United Nations. A large volume of analytical and factual material was made available by the secretariats of the regional economic commissions in the annual economic surveys of their regions and in other documents.

Special sections were contributed to part III of the report by the Population Division of the United Nations Department of Social Affairs and by the secretariats of the International Labour Organisation, the Food and Agriculture Organization of the United Nations and the International Bank for Reconstruction and Development. The secretariat of the Food and Agriculture Organization also supplied considerable material for use throughout the report. Assistance was also rendered by the United Nations Transport and Communications Division and by the secretariat of the Interim Co-ordinating Committee for International Commodity Arrangements. All the agencies concerned co-operated in preparing the account of activities contained in part IV. The chronology was drawn up by the secretariat of the Economic and Social Council. The charts were prepared by the United Nations Presentation Section.

The following symbols have been used throughout the report: two dots (. .) indicate that data are not available; a dash (—) indicates that the amount is nil or negligible; a full stop (.) is used to indicate decimals; a comma (,) is used to distinguish thousands and millions; a slash

(/) indicates the crop year; the use of a hyphen (-) between dates representing years, e.g., 1934-38, normally signifies an annual average.

Tables generally contain data for a pre-war year and for 1947 and 1948. The term "pre-war" normally refers to the year 1937, or to the pre-war year or period nearest to 1937 for which data are available.

Unless the contrary is stated, the standard unit of weight used throughout is the metric ton. References to "dollars" indicate United States dollars unless otherwise specified. Details and percentages in tables do not necessarily add to totals, because of rounding.

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Part I

WORLD ECONOMIC CONDITIONS

INTRODUCTION

Economic conditions improved considerably in many parts of the world from 1947 to 1948 but economic activity has been showing a tendency to level off and, in a few countries, to decline since the middle of 1948 and the early months of 1949; in addition, the far-reaching post-war dislocations of international trade have remained acute.

The world output of goods has expanded well beyond pre-war levels but the over-all increase conceals marked disparities among different regions of the world. Consumption standards are significantly higher than before the war in a relatively small number of countries but are barely at, or are still below, pre-war levels in most of the world; they have even deteriorated from seriously inadequate pre-war levels in several under-developed countries. The reconstruction and reconversion of industry have been completed for the most part but, with a few important exceptions, productive facilities are not significantly larger than before the war; moreover, progress in agricultural production still lags seriously in many areas. World trade has grown as production has increased and has nearly regained pre-war levels but continues to be sustained in large part by grants and loans. The heavy import balances of most countries have been reduced as domestic supplies, especially of food, have increased, but serious dislocations of international trade persist and continue to necessitate import and exchange controls. The improved supply of food and other consumption goods has also had the effect of weakening inflationary pressures, but deflationary symptoms are appearing in a few important countries while inflation continues unchecked in certain areas.

The output of world factories, farms and mines, which had already exceeded pre-war levels in 1947, advanced by more than 10 per cent in 1948, to reach a level for the year at least one-fifth above that of 1937. Both industry and agriculture shared in this advance. Agricultural production exceeded pre-war output for the first time since the end of the war, and industrial production for the year was more than one-third above that of 1937. The substantial recovery of agriculture and industry in the devastated areas of Europe and, to a lesser extent, of the Far East largely accounted for the gains recorded during the year. The high levels of economic activity in the United States, Canada and Australia were maintained or even somewhat raised during 1948. Stimulated by high demand from the industrial countries, the production of primary commodities in Latin America, the Middle East and Africa continued to expand, but production for the domestic market underwent some further contraction from peaks reached in the war and early post-war years.

The second half of 1948 and the beginning of 1949 appear to represent a turning point in post-war economic developments. For the first time since the end of the war, there was a reversal of the upward trend of prices, a check to the expansion of production and some increase in unemployment in a number of countries.

The easing of supplies of food, raw materials and fuel was reflected in price declines. During the latter part of 1948 or the first half of 1949, successive declines occurred in prices for grains, cocoa, non-ferrous metals, timber, natural rubber, fuel oil, cotton and wool. The drop in food prices was reflected in a tendency for the cost of living to level off and, in a few cases, to decline and was accompanied by relaxation of rationing and other controls.

For the first time since the end of the war, there was, according to preliminary estimates, a slight decline in the index of world industrial production during the first quarter of 1949. The index dropped 2 points from the peak reached in the last quarter of 1948 but was still 8 per cent above the corresponding quarter of 1948. This decline was attributable primarily to the drop in United States production, which occurred as a result of a fall in effective demand caused by the weakening of some of the special post-war factors previously sustaining high levels of activity and employment. In addition, there has been a slackening of the rate of increase of production in a number of other countries.

There has also been a limited increase in the number of unemployed in several countries although, with few exceptions, unemployment figures are still relatively low. Unemployment increased significantly in the early part of 1949 in certain European countries and in the United States.

By the second quarter of 1949, inflationary pressures had weakened materially in many areas of the world, and in a few countries, notably Belgium, the western zones of Germany, Italy and the United States, the problem of inadequate effective demand

was arising. Underlying these developments was the increase in the supply of consumption goods, especially food, and the reduction of pent-up demand, owing to the saturation of such demand and to the exhaustion of accumulated liquid assets by the mass of consumers. In some countries, there was also a noticeable slackening of private investment, especially in residential construction.

The expansion of agricultural and industrial output in 1948 provided the basis for an enlargement of the volume of world trade. The quantum of world trade in 1948 advanced by about 4 per cent from the preceding year and was roughly equivalent to 95 per cent of the 1937 volume. A considerable decline in United States exports from the peak reached in 1947 was more than offset by the substantial expansion of exports of the rest of the world, the quantum of which registered an advance during 1948 of nearly 18 per cent over the preceding year. As a consequence, trade deficits with the United States, which represented a serious problem for many countries, were considerably reduced during 1948.

The reduction in import balances with the United States was made possible by increased supplies of goods in areas outside the United States and by the expansion of trade among soft-currency areas. The diversion of trade to soft-currency areas was achieved by extension of bilateral trade agreements and by import and exchange controls. In some cases, agreements were of a long-term character designed to assure a large and steady volume of exchange of goods. The prices at which goods were traded among soft-currency countries were frequently above world market prices.

Thus far the possibilities of expanding trade among soft-currency countries have been realized to a limited extent only. Europe has not yet regained its pre-war importance as a supplier of goods to countries overseas. There is also scope for a considerable expansion of trade between the countries of eastern and western Europe as a result of general European recovery. Serious difficulties, however, confront Asia and the Far East in recovering its trading position, which has been affected not only by internal disturbances but also by the development of new sources of supply in other areas and by the production of synthetic and other substitutes for important raw material exports of the region.

Some countries are beginning to encounter difficulties in expanding or maintaining exports, particularly of textiles and of durable consumer goods. This appears to be due to an increasing tendency in many countries to restrict imports of goods considered as non-essential, in order to conserve dwindling foreign exchange reserves. This factor, together with the larger supplies of consumer goods available for export, has resulted in increasing competition in international markets.

It is not yet known how far declines in prices of raw materials may have affected under-developed countries by the middle of 1949. There are already isolated cases in which declines in prices and demand for raw materials are necessitating some curtailment of output and exports. It is likely that declines in prices of raw materials, by turning the terms of trade against the under-developed countries, may add to their difficulties in continuing to finance a high volume of imports, especially in view of the reduction of foreign exchange reserves.

In view of the difficulties facing both industrial and under-developed countries in maintaining and expanding trade, further measures appear to be required to expedite and co-ordinate regional efforts in this field.

Basic problems are posed by the tendency of economic activity to level off. Specific measures, both national and international, to raise the world level of economic activity and to counter possible recession, are required: in industrial countries, to maintain full employment and expand production; in under-developed countries, to organize and direct their resources towards the acceleration of economic development. The problems of industrial and under-developed countries are closely interrelated and impinge upon one another in the field of international trade. High levels of world economic activity would permit industrial countries to continue importing a large volume of goods from under-developed countries, thereby enabling the latter to finance imports of capital goods and other essential commodities.

The urgency of international action to maintain full employment and to promote economic development is accentuated by the tendency of economic activity to level off even though the world's supply of goods is still inadequate to meet the requirements of the growing world population.

Chapter 1

WORLD PRODUCTION AND SUPPLY OF GOODS

The General Situation

During the year 1948 very substantial increases were recorded in the output of industry, agriculture and mining, for the world as a whole, so that there was a general easing of the world supply situation with respect to industrial materials and products, as well as foodstuffs. The estimated world output of all commodities, which had already exceeded the pre-war level in 1947, advanced again by more than 10 per cent during 1948. The aggregate physical volume of all goods produced in 1948 is estimated to be at least 20 per cent above that of pre-war. There were strong indications by the end of the year that war-generated shortages of supply had been generally overcome, that the abnormal requirements for reconstruction had been largely satisfied and that pent-up consumer demand, supported by war-accumulated savings, was diminishing.

PROGRESS OF PRODUCTION IN 1948

Industrial production for the world as a whole, combining manufacturing and mining, increased during 1948 by 11 per cent over the preceding year; the annual average was more than one-third above the 1937 level. Industrial employment also increased in 1948, though not at the same pace as production. Outside the United States, as shown in table 1, industrial production in 1948 was nearly 20 per cent over 1947 and about 114 per cent of 1937 output, surpassing the pre-war level for the first time. Exclusive of the United States, Germany and Japan, production during 1948 was about 131 per cent of that of 1937. Industrial production in the United States for the year was about 70 per cent above that of 1937, an advance of 3 per cent over 1947. In Europe, outside the Union of Soviet Socialist Republics, the aggregate of industrial production during 1948 remained below the 1937 level, and the 1938 level as well, but the higher level of 1937 was attained by the production rate in the fourth quarter of 1948. Excluding Germany (as well as the USSR), European production in 1948 was 13 per cent above the level of 1938. Industrial production in the Union of Soviet Socialist Republics in 1948 was 18 per cent higher than in 1940, or 70 per cent above that of 1937. The index of industrial production for the world and for certain countries is shown in chart 1.

The world supply of foodstuffs for 1948/49 for the growing world population is estimated to be at least 5 per cent above the average output of 1934-38 and at least 10 per cent above that of 1947/48. There was considerable disparity, how-

Chart 1. Index of Manufacturing and Mining Production for World and Certain Countries
(1937 = 100)

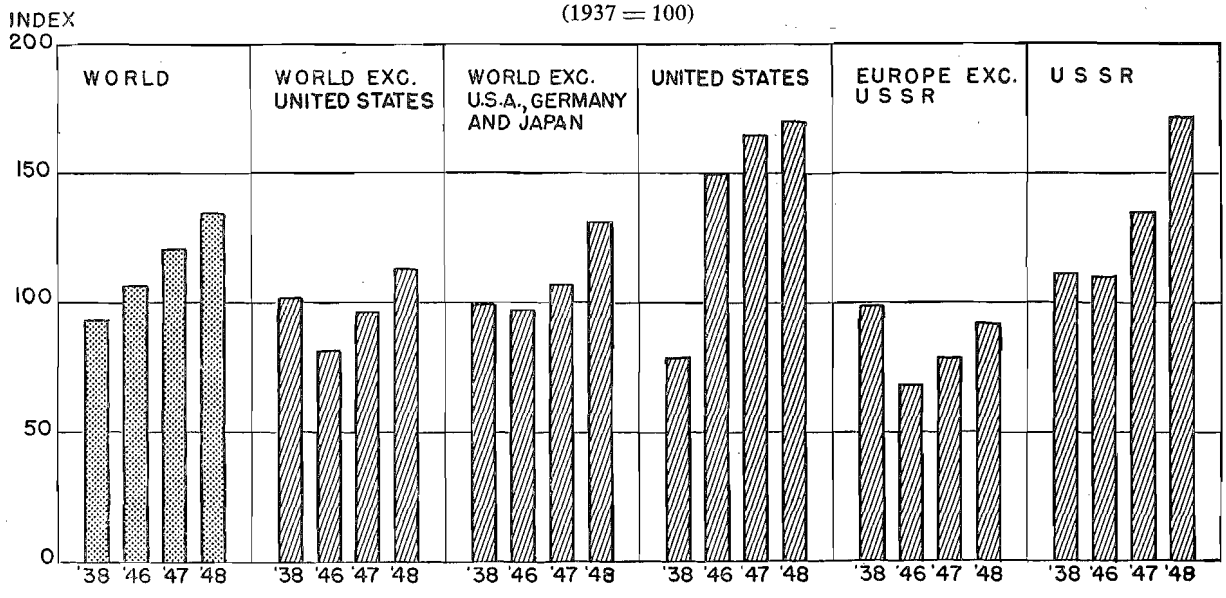


Table 1. Mining and Manufacturing Production: Indices for World

1938, 1946, 1947 and 1948
(1937 = 100)

Period	World	World, excluding United States	World, excluding Germany, Japan and United States
1938	93	102	100
1946	107	82	97
1947	121	96	112
1948	135	114	131
1947, quarters:			
First	115	86	102
Second	121	96	113
Third	122	98	114
Fourth	127	102	119
1948, quarters:			
First	129	107	124
Second	133	112	130
Third	135	114	130
Fourth	141	123	140
1949, first quarter	139	124	141

Source: Statistical Office of the United Nations.

ever, in food production levels of various regions, relative to pre-war; varying rates of increase of the population in different areas also affected *per capita* supplies.

The United States, whose agricultural production has been far above any pre-war year, again recorded a substantial increase, and the Union of Soviet Socialist Republics regained the level of agricultural output of the pre-war year 1940. In the rest of Europe, agricultural production remained below pre-war levels, but output was substantially higher than during the poor crop year 1947. The moderate increase in the output of Asia and the Far East brought total agricultural production in that area close to the pre-war aggregate, though considerably below pre-war *per capita* supplies. The increased supply of foodstuffs, especially in Europe, is perhaps the most important economic development during the past year, because of its role, not only in raising food consumption levels, but also in reducing inflationary pressures, in alleviating problems of international payments in many countries and, for all these reasons, in expanding production generally.

In 1948/49, the output of all grains for the world (excluding the USSR) had risen 17 per cent above the 1934-38 average, which had nearly been reached in 1947/48, as shown in table 2. Production in the Union of Soviet Socialist Republics in 1948/49 nearly reached the 1940

Table 2. Food Production: Indices for Selected Products for World (excluding USSR)

1947/48 and 1948/49
(1934-38 = 100)

Product	1947/48	1948/49
All grains	99	117
Bread grains	96	109
Coarse grains	101	124
Rice	96	98
Potatoes	83	102
Sugar	105	116
Fats and oils	94	97
Meat	100	96

Source: Food and Agriculture Organization of the United Nations.

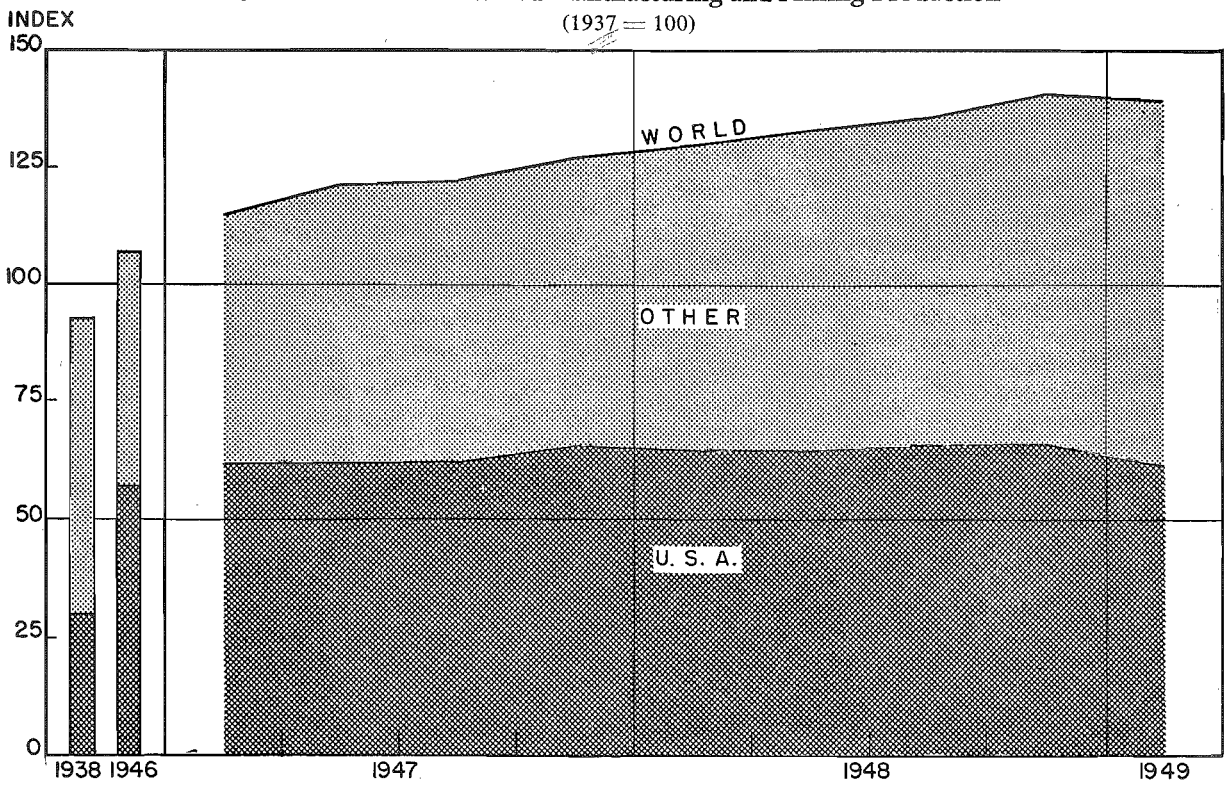
level and was 14 per cent above the average for 1934-38. The world increase in coarse grains was substantially higher than that of bread grains. Rice production in 1948/49, on the other hand, reached only 98 per cent of its pre-war level but registered a small gain over the preceding year. The world output of fats and oils in 1948/49 was about 3 per cent below that of pre-war, however, despite continuing recovery. Recovery in the production of meat and dairy products also lagged.

DEVELOPMENTS IN THE LATTER PART OF 1948 AND EARLY 1949

It appeared by the end of 1948 that further advances in industrial activity would no longer be primed by post-war demands for economic reconstruction and deferred demands of consumers but that the industrial prospects immediately ahead for the world as a whole would be determined increasingly by the availability of markets supported by effective demand. Under these circumstances, notwithstanding the impressive advance in production in 1948 as a whole and particularly in the last quarter, special interest is centred in the developing limitations on effective demand which appeared during the year and in the early months of 1949.

The preliminary estimate of world industrial production in the first quarter of 1949 was 8 per cent above the corresponding period of 1948, but below the index for the last quarter of 1948—the first time during the post-war period that quarterly output declined from a preceding quarter. Outside the United States, industrial production in the first quarter of 1949 was little higher than in the fourth quarter of 1948, as compared with a 5 per cent increase in the corresponding period last year, as shown in chart 2.

Chart 2. Trends in World Manufacturing and Mining Production
(1937 = 100)



The levels of supply which were achieved met weakness in market demand before 1948 ended, or soon thereafter, in raw materials and textile manufactures. The price of natural rubber, production of which has exceeded pre-war levels and has been supplemented by the large output of synthetic rubber, has declined since the latter part of 1948 to a level below that of synthetic rubber. Prices of fuel oils—except petrol—declined in the first four months of 1949, after having risen during 1948.

United States market prices of important non-ferrous metals also declined in the first part of 1949 after increasing in 1948. Lead prices broke sharply in early 1949 and a marked decline in zinc prices followed shortly thereafter; copper prices dropped in May 1949, following substantial increases in production in the preceding months. Data are not available for appraising the possible influence of purchases for stock-piling on the earlier price rise or the recent price decline. The downward price adjustment of non-ferrous metals was doubtless spurred by the preference of foreign producers to sell for United States dollars. The price decline in United States markets was, however, followed by price reductions elsewhere, notably in the United Kingdom. It appeared that supplies of non-ferrous metals, including production from scrap, had already reached the quantities required at current levels of industrial activity, although total supplies had not increased so much over pre-war as had general industrial activity and, more especially, the output of the metal-consuming industries.

The decline in cotton prices, which began in 1948 and has continued in 1949, reflects evident limitations in the demand for textile fabrics, at least at existing price levels. Output of textile manufactures has been widely expanded for domestic consumption, and, in some countries, for export. The high level of post-war demand and the slow recovery of textile exports resulted in an exceptionally large increase in prices of textile exports relative to others. As larger supplies have become available in international markets, competition has increased and has already had the effect of reducing production in a number of the textile exporting countries, as well as in importing countries. Increased availability of exports from the United Kingdom, Germany and Japan may be expected further to sharpen competition. There are also some indica-

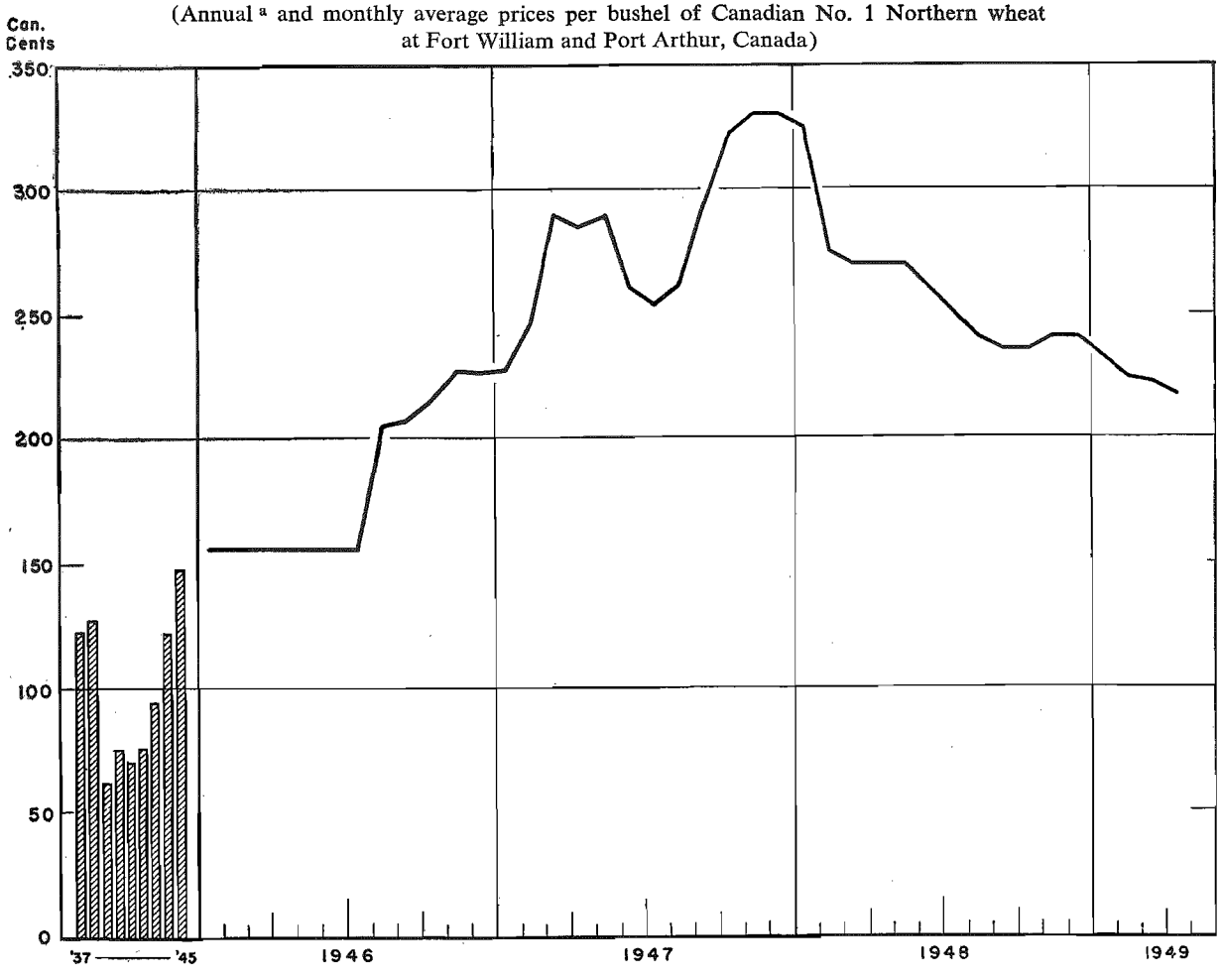
tions of a more general downturn in the production levels of light industries, notably in the United States and Latin America, particularly of leather goods. These developments apparently reflect a slackening of effective demand for consumer goods in countries in which inflation continued, as well as in those in which it had, for the time at least, been substantially overcome.

On the other hand, production of the heavy goods industries, industrial chemicals, basic steel and engineering products, which in 1948, as in previous post-war years, advanced more sharply than the industry-wide average, continued to meet heavy demand, supported generally by government policy. Investment and building levels remained high, though residential building has been declining in the United States and Latin America, and has also been reduced in timber-deficient western Europe.

Except as limitations have been imposed by the occupying authorities in Germany and Japan, the level of production in these industries was generally well above pre-war in 1948. Steel output showed further appreciable increase in the early months of 1949. Programmes of expansion of electric power facilities throughout the world supported demand for increased production of electrical machinery and equipment. There is, however, idle engineering capacity in western Europe. Moreover, exports of industrial machinery by western European countries, and also of chemicals, faced intensified competition in international markets as the volume of supplies available for export from these countries has increased, and as the interest of United States producers in exporting has grown.

Chart 3. **Movement of Wheat Prices, 1937 to 1949**

(Annual [a] and monthly average prices per bushel of Canadian No. 1 Northern wheat at Fort William and Port Arthur, Canada)



[a] Crop year ending 31 July.

The improvement in the world food supply has been accompanied by a weakening of food prices, in relation to the general price level, in a growing number of countries since the latter part of 1948 and particularly in early 1949. Owing to wide differences in the supply situation, the extent of controls and general inflationary pressures, there has been no uniformity in the movement of food prices. It is none the less apparent that the post-war peak of food prices had generally been passed.

Prices received by farmers in the United States dropped one-seventh between July 1948 and February 1949. The decline has not continued, but most agricultural prices are now at the Government support level. The fall in grain prices, shown in chart 3, reflects in part the failure of food deficit countries to take up the entire increased output of the Western Hemisphere, owing to continuing difficulties in expanding imports from dollar areas. Following the declines in the United States, evidence has been accumulating of declines in food prices in a number of other countries, including European countries, such as France, where the supply is still very far from normal. Food prices had risen disproportionately during the war and post-war period as a result of severe shortages; in the early part of 1949 they were still usually above the general price level, despite considerable reductions.

In addition to declines in grain prices, there was some general reduction in the price of livestock products, relative to the general level of prices. In the absence of international market prices, it is difficult to assess commodity price trends; this is particularly the case in fats and oils. Notwithstanding the failure of the Far East to regain pre-war output and exports, prices of fats and oils declined steeply in the early part of 1949 in the United States-Philippine markets, owing largely to dollar shortages of importing countries, with somewhat smaller price declines elsewhere.

The easing of world food supplies and the weakening of food prices has tended to focus attention on the problem of assuring markets at fair prices to exporting countries and of providing adequate supplies at fair prices to importing countries. Exporting countries which have expanded food production substantially above the pre-war levels in response to the critical world shortage of food naturally wish assurance regarding future market conditions and prices in order to be able to plan ahead.

In the case of wheat, efforts towards stabilization were reflected in the international agreement recently concluded. Unless a satisfactory solution can be found to the problems of international payments faced by deficit countries, there is danger that production may not be maintained or expanded in surplus areas in the absence of effective demand. Yet unless world production of food is considerably expanded, *per capita* consumption in most of the world must remain at a level below pre-war—for a large part of the world, below minimum nutritional—standards.

Industrial Production

Total industrial production in 1948 advanced generally over 1947 in all regions—and at an impressive rate in Europe and the Union of Soviet Socialist Republics. The limitations already noted as threatening further substantial expansion of world output were, however, reflected in various ways by the course of production during 1948 and early 1949, especially in the major industrialized countries of North America and western Europe. The problem of finding new markets to offset waning war-accumulated demands is also emphasized by the continued difficulties encountered in efforts to achieve industrial growth in Latin America, the Middle East and Asia and the Far East.

The levels of industrial production in pre-war and post-war years in a number of countries are shown in table 3.

SITUATION IN VARIOUS REGIONS

Industrial production increased again in the United States throughout 1948; the annual average was 170 per cent of the pre-war level and the rate in the last quarter was slightly higher. Before the year's end, however, sales declined in a number of important fields, particularly in consumer goods, and inventories of finished products continued to rise, notwithstanding curtailment of

Table 3. Mining and Manufacturing Production: National Indices

1938, 1946, 1947 and 1948

(1937 = 100)

Country	1938	1946	1947	1948
Argentina	104	151	162	. .
Austria [a]	. .	. .	51	78
Belgium [b]	81	74	86	93
Bulgaria	108	122	148	179 [c]
Canada	95	147	162	169
Chile	97	129	136	143
Czechoslovakia	. .	. .	83	98
Denmark	100	101	116	129
Finland [b]	102	107	119	137
France	91	70	85	100
Germany:				
UK and US zones	. .	27	32	51
French zone	. .	. .	. .	49
Greece	109	52	66	70
India [d]	105	109	106	116 [e]
Ireland	97	109	113	130
Italy	99	. .	85	89
Japan	107	20	25	33
Mexico	99	125	129	129 [f]
Netherlands	102	70	91	110
Norway	100	100	115	125
Poland	108	82	109	141
Sweden	101	137	139	144
USSR [b]	111	110	135	171
United Kingdom	93	91	98	110
United States	79	150	165	170

Source: Statistical Office of the United Nations. Excludes mining in Argentina.

[a] Including electricity until 1948.

[b] Including electricity and gas.

[c] Based upon 11 months.

[d] Including electricity.

[e] Based upon 10 months.

[f] Based upon 9 months.

output. In the first quarter of 1949, the decline in sales was somewhat more widespread, and the reduction in industrial production, by about 5 per cent, and of manufactures, by about 4 per cent, was more than seasonal.

Europe again recorded an impressive increase in industrial production. European countries, aside from the Union of Soviet Socialist Republics, increased output in 1948 by one-sixth over 1947, a little more than in the previous year. European countries exclusive of Germany increased production by just over one-eighth in both years. Total 1948 production of the European countries, including Germany, was behind the 1937 level but attained the pre-war annual rate in the last quarter of 1948. By far the largest expansion was recorded by Germany, where production also continued to rise sharply early in 1949.

European steel production in 1948 was well ahead of average industrial output and continued to increase in the early months of 1949. The engineering and chemical industries also increased their output in 1948 to a greater extent than industry in general. With the easing of supplies of coal and raw materials, requisites were thus provided for the continued expansion of production.

The indications are, however, that continued advances in general industrial output in 1949 in Europe as a whole, exclusive of the Union of Soviet Socialist Republics, will be increasingly difficult. The expansion of output in the second half of 1948, outside of Germany, was less than in the first half; reports for the early months of 1949 also indicate a general slackening of the rate of increase and, in some cases, little or no increase.

Industrial production in the Union of Soviet Socialist Republics expanded rapidly in 1948; the year's total exceeded 1937 by more than 70 per cent and the last pre-war year, 1940, by 18 per cent. In the war-devastated areas, however, only three-fourths of the 1940 level was attained. The 1948 increase of 27 per cent over the previous year compares with an increase of slightly under one-fourth from 1946 to 1947. Output of metals and of the products of heavy industry, particularly of steel, machinery and transport equipment, increased more than the average for all industry, both in comparison with the annual increase in production and with the objectives of the 1948 plan for industry. Production in the first quarter of 1949 was 23 per cent above the corresponding period of 1948.

The diversification and expansion of industrial production continued in Australia and Canada. In Canada, the industrial index for 1948 approached 170 per cent of the 1937 level. The increase over the preceding year was, however, only 3 per cent, and, during the first quarter of 1949, production was at the same level as in the corresponding period of 1948. Australia was also producing well above its pre-war peaks and, though no over-all index of industrial output is available, considerable gains appeared to have been recorded in 1948.

The net change in the total industrial output of Latin America from 1947 to 1948 was small and, on balance, production was below earlier peaks. Production and exports of raw materials were

stimulated by the volume of demand from industrial countries but post-war competition seriously affected the production of cotton textiles and leather goods and there has been a contraction from war and post-war peaks in consumer goods industries generally. There was a noteworthy growth in steel production, serving primarily the large domestic construction programmes, particularly in Brazil and Mexico and, on a smaller scale, in Chile. Although construction continued at a comparatively high level, building activities have declined during the past year or two.

An outstanding development in the Middle East was the vast increase in petroleum output during the post-war period. Important domestic industries which were expanded, particularly during the war period, were adversely affected by post-war competition and by the elimination of special demand factors associated with the war.

In the Far East, recovery of production lagged more seriously behind pre-war levels than in other war-devastated areas, notwithstanding the substantial increase in agricultural and industrial output in 1948. Total industrial production in 1948 improved over 1947 largely because of advances in India and Japan, but was retarded by civil disturbances in many countries of the region. Of the three countries which accounted for nine-tenths of the region's industrial production before the war, output in India alone exceeded the pre-war level; Japan and China were far below. Japan's industrial production improved considerably—from 25 per cent of 1937 in 1947, to 33 per cent in 1948. India's production in 1948 was about 16 per cent above that of 1937 and much improved over 1947, but still somewhat below the war-time peak. The over-all gain in the industrial index for 1948 is largely accounted for by cotton textile products. Cotton textiles and, in much larger degree, steel output, were short of war-time peaks, while jute and food manufactures also remained below pre-war levels.

Production of textiles in the Far East during 1948, although considerably greater than in 1947, was still seriously below pre-war levels. Among the more important raw materials, production of natural rubber alone has been expanded above pre-war levels, while the world supply of rubber is plentiful because of increased production in other areas and large-scale output of synthetic rubber. Production of minerals, on the other hand, is still one-third to two-thirds below pre-war levels, in spite of substantial improvement in 1948, especially in petroleum and tin output.

Africa generally improved its position during 1948 in the output of primary commodities, both mining and agricultural, which were already above pre-war levels in the preceding year, except for gold, manganese and iron ore. Secondary industry has expanded and become more diversified, as compared with pre-war, in various parts of Africa but principally in the Union of South Africa. The volume of production of secondary industry in the latter country rose between 1939 and 1947 by 40 per cent; during the war, the iron and steel, engineering and food industries expanded rapidly. Despite this growth, Africa as a whole continues to be heavily dependent on imports of consumer and other manufactured goods.

SUPPLY OF FUEL AND POWER

The world-wide shortages of fuel and power that hampered economic recovery after the close of the Second World War were substantially overcome in 1948. During the year, output of the major sources of energy rose to 129 per cent of the 1937 figure, nearly 7 per cent above the level attained in 1947. In spite of the highest levels of fuel and power consumption in history, production of both coal and oil was large enough to permit substantial increases in stocks, particularly in the United States. Electric power, however, was still in short supply in some areas, with demand increasing in all regions of the world.

All the major sources of energy contributed to the improved supply position of 1948—petroleum and natural gas the most, and solid fuels the least, as shown in table 4.

Between 1937 and 1948 there was a marked change in the composition of production, continuing the pre-war trends. Coal and lignite, which before the war had provided 69 per cent of the world's energy, in 1948 provided only 59 per cent of the total. Petroleum, natural gas and hydroelectric power increased their share of the total, in the order named. Although coal and lignite diminished in relative importance as sources of energy, there was a substantial increase between 1937 and 1948 in the amount produced; the solid

Table 4. Energy Production: Indices for Major Sources for World

1947 and 1948

(1937 = 100)

Item	1947	1948
Coal and lignite	106	110
Petroleum	148	166
Natural gas [a]	178	198
Hydro-electric power	153	162
Total above sources of energy	121	129
Total electric power	163	179

Source: Based on data supplied by the Statistical Office of the United Nations.

[a] The United States, with total production approximating 140,000 million cubic metres, is the only major consumer of natural gas; Canada, Romania, the Union of Soviet Socialist Republics and, possibly, Venezuela were the only other countries that produced more than 1,000 million cubic metres for use as fuel.

fuels remained a more important source of energy than all the others combined.

The increase in world production of fuel and power between 1937 and 1948 was attributable largely to developments in areas undevastated by war, notably Canada, the Middle East, Venezuela and the United States; among war-devastated countries, the Union of Soviet Socialist Republics was the only major producer to reach production levels substantially above those of the pre-war period. In Europe, although 1948 production was still about 7 per cent below pre-war, it was 10 per cent above the 1947 level and, even with reduced imports of coal from outside the region, the consumption of fuel and power in Europe rose to 98 per cent of the 1937 level. In the Far East, both production and consumption of fuel and power were far below pre-war levels.

Coal

World output of coal and lignite, more than 1,500 million tons (coal equivalent) in 1948, was 10 per cent above 1937 output and 4 per cent above the 1947 level. Output was higher than pre-war in almost all countries not devastated by war and in certain eastern European countries, but the aggregate of increases in the United States and the Union of Soviet Socialist Republics amounted to more than the net increase in the world total. Production in the Far East was far below pre-war levels and in Europe (aside from the USSR) it was almost 10 per cent below 1937 output of coal and lignite.

The European coal situation nevertheless improved substantially during 1948 as a result of increased coal production and increased supplies of petroleum and hydro-electric power. Ruhr output of coal was substantially expanded, with exports increasing in even greater proportion; coal exports rose by about three-fifths and coke exports doubled, as compared with 1947. Net imports from outside the region declined in 1948; imports from the United States fell from the 37 million-ton level of 1947 to 16 million tons in 1948. The year-end monthly rate of 1 million tons was, as expected, further reduced in the second quarter of 1949. Coal production in the United States declined by 5 per cent during 1948, from 622 million to 591 million metric tons. During the same period stocks increased by one-third, and at the end of the year distributed stocks of bituminous coal alone totalled 63 million tons, 50 per cent more than at the end of 1937.

Petroleum

World output of crude petroleum, 48 per cent above the 1937 level in 1947, rose to approximately 466 million metric tons in 1948, or 66 per cent above the pre-war level. More than half the increased volume was provided by the United States. The percentage increase, however, was larger in the Middle East, where production reached 58 million tons—364 per cent of the 1937 level—and in Venezuela, where production reached 70 million tons—250 per cent of the pre-war output. The United States provided 58 per cent of world crude petroleum in 1948, compared with 62 per cent in 1937. Output in the Union of Soviet Socialist Republics, though still below the 1940 level, surpassed 1937 production in 1948. Most other areas produced more in 1948 than in 1947, or in pre-war years. However, production in Indonesia was restored to only three-fifths of the pre-war level; the depleted reserves of Romania provided less than two-thirds of the peak reached in 1937; and production in Iraq and Peru was also below the pre-war level.

United States refining capacity expanded enormously between 1937 and 1948, and the United States continued to refine about three-fifths of the world's crude oil. European refinery capacity

equalled the 1940 level in 1948 and was scheduled for substantial expansion in 1949 and 1950, especially in the United Kingdom and France; in the Middle East, refining capacity has more than doubled since 1937, with outstanding developments in Bahrein, Iran and Saudi Arabia and large developments in Palestine. Refinery capacity also increased during this period in Latin America; it rose substantially in Mexico and Aruba, moderately in Venezuela and in small volume in a number of oil importing countries.

For the first time since the early 1920's the United States became a net importer of petroleum in 1948, notwithstanding a 7 per cent increase above 1947 production. In the last months of 1948 and the first months of 1949, however, partly because of the mild winter in the United States, oil supplies outran consumption and there was a rapid rise in United States stocks. Early in 1949 prices of crude petroleum and certain of its products were sharply reduced, and production was cut back in the Middle East, the United States and Venezuela.

Electric power

World production of electric power has grown more rapidly during recent years than has the output of either coal or petroleum. In 1948, production was in excess of 770,000 million kilowatt-hours, nearly 80 per cent above the level of 1937 and 10 per cent above 1947. Hydro-electric power increased at a somewhat lower rate during this period, reaching 285,000 million kilowatt-hours in the latter year.

Table 5. Electric Power Production: Indices for World and Regions

1947 and 1948

Area	*1947 (1937 = 100)*	*1948 (1937 = 100)*	*1948 (1947 = 100)*
World	163	179	110
Asia	116	123	106
Europe (excluding USSR)	127	143	112
USSR	150	175	117
Africa	182	196	108
Latin America	188	206	110
Oceania	193	214	110
United States and Canada	207	224	108

Source: Based on data supplied by the Statistical Office of the United Nations.

Electric power output is now considerably larger than pre-war in all areas of the world, though, as may be seen from the production indices in table 5, the improvement in areas devastated by the war has been much more limited than elsewhere.

In spite of the increases indicated, problems of adequate power supplies continued to exist in much of the world throughout 1948, especially in Europe. The development of an adequate European power supply was seriously hampered by the limitations of existing capacity for manufacturing generating equipment, particularly thermal electric power plants. Demand for additional electric power facilities and construction programmes also continued to be large in the United States, in the Union of Soviet Socialist Republics and in less developed and under-developed areas throughout the world.

RAW MATERIALS

During 1948, there were increases in the world production of almost all raw materials, compared with 1947, though in many cases production had not yet regained its pre-war level, as shown in table 6.

In most fields in which the United States was a major producer before the war, its position has still further improved in relation to total world supplies. The United States has also expanded its imports of raw materials to a considerable extent though the percentage increase is less than that in industrial production.

Few important new resources of raw materials have been developed in the more advanced industrial countries of western Europe, which therefore continue to be dependent on imports for many key items. In general, however, European imports of most industrial materials were markedly lower in 1948 than before the war; imports of several important commodities, including non-ferrous ores and metals, timber, wool and cotton, were also lower in 1948 than in 1947. As compared with pre-war the refining and processing of raw materials has to a certain extent been shifted from western Europe, and particularly Germany, to the United States, which supplies Europe and other areas with highly fabricated products. Post-war increases in European industrial production have

Table 6. Raw Material Production: Totals for Major Commodities for World

Pre-war, 1947 and 1948 [a]

(In thousands of metric tons)

Commodity	Pre-war [a]	1947	1948 [b]	Percentage of pre-war [a] 1947	1948
Fibres, total	12,655	10,850	11,857	86	94
Apparel fibres	9,044	8,132	9,164	90	101
Cotton	6,649	5,530	6,316	83	95
Wool	1,709	1,687	1,724	99	101
Silk	54	12	13	22	24
Rayon	632	903	1,111	143	176
Flax	777	390	450	50	58
Hemp	437	300	375	69	86
Jute	1,875	1,575	1,390	84	74
Hard fibres	522	453	478	87	92
Metals:					
Iron ore (millions)	82 [c]	76 [c]	. .	93	. .
Pig-iron (millions)	89	88	99	99	112
Copper ore	2,184	2,050	. .	94	. .
Copper [d]	2,348	2,316	2,414	99	103
Lead ore	1,618	1,275	. .	79	. .
Lead [d]	1,708	1,502	1,524	88	89
Tin ore	211	116	155	55	73
Tin	203	126	162	62	80
Zinc ore	1,720	1,675	. .	97	. .
Zinc [d]	1,730	1,728	1,846	100	107
Bauxite	3,700	5,800	. .	157	. .
Aluminium	450	960	. .	213	. .
Rubber, total	1,232	1,843	2,087	150	169
Natural rubber	1,229	1,275	1,544	104	126
Synthetic rubber	3	568	543	[e]	[e]
Wood (million of cubic metres, solid volume):					
Roundwood	1,500	1,454	1,500	97	100
Lumber	200	205	. .	103	. .
Woodpulp	25,000	26,500	29,000	106	116

Source: Statistical Office of the United Nations; Food and Agriculture Organization of the United Nations.

Figures for ores in terms of metal content; figures for metals represent primary production only, except as otherwise stated. Totals for all countries producing significant quantities, excluding Union of Soviet Socialist Republics and USSR zone of Germany; world totals for fibres and wood include these countries.

[a] 1937 except for fibres, 1934-38 average.

[b] Provisional.

[c] Excluding Manchuria, which before the war produced about 1 million tons annually.

[d] Including small amounts of secondary production.

[e] Production negligible in 1937.

been greatest in the heavy industries, which depend mainly on raw materials produced in abundance in Europe itself.

The most significant change in the sources of raw materials in world trade, as compared with pre-war, arises from the lag in the recovery of production in the Far East. The Far East has also lost ground as a producer of raw materials, owing to the development of new sources of supply in other areas, and as a result of the production of synthetic and other substitutes for important products of the region.

Under pressure of war-time shortages, high priority was given to developing the production of raw materials in many countries of Latin America, the Middle East and Africa. In some cases, production has been maintained or expanded during the post-war years but, in others, production has fallen from war-time peaks, sometimes even below the pre-war levels. Continuing post-war scarcities, and the emergence of the United States as a large net importer of many items, have given some impetus to opening up new sources of supply, but with few exceptions, these new sources are not yet significant in total world supplies. With the aid of capital from the metropolitan Powers and the United

States, some progress is being made in colonial territories, in particular the Belgian Congo, French Equatorial Africa and Northern Africa, Northern Rhodesia, British Guiana, French Guiana and Surinam.

The output of raw materials is being expanded considerably, as compared with pre-war levels, under the national economic plans of the Union of Soviet Socialist Republics and other eastern European countries.

World-wide raw material shortages retarded industrial recovery after the end of the Second World War, but the general level of world industrial production has nevertheless risen faster than the production of primary materials. This rise has been made possible by a number of factors, including governmental schemes for the allocation of materials in short supply to their most important uses, improved systems of scrap collection and utilization, economies resulting from technological progress, substitutions of new materials, particularly synthetics and aluminium, and the reduction in post-war stocks. Some of these factors represent long-term trends.

The downturn in prices of important agricultural and industrial materials in 1948 and early in 1949 reflected an easing supply situation, intensified competition among substitutes, limitations on effective demand arising from foreign exchange difficulties and, in some countries, slackened domestic demand.

Iron ore and pig-iron

World production of both iron ore and pig-iron, still below the 1937 level in 1947, exceeded pre-war levels in 1948. The United States, with its steel production vastly expanded over pre-war, produced 51.5 million metric tons of iron ore (iron content) in 1948 as compared with 37 million in 1937; and 55 million metric tons of pig-iron and ferro-alloys in 1948, as compared with 37 million in 1937. United States steel producers have also been using a larger proportion of scrap in the post-war period, resulting in a 56 per cent increase in output of steel ingots and castings, as compared with a 48 per cent increase over pre-war production in pig-iron. Increased production of iron ore and pig-iron has also occurred in a number of countries that expanded their relatively small steel industries, notably Brazil, Mexico, Turkey and the Union of South Africa. In Brazil and Chile, production of iron ore was also considerably expanded for export to the United States; United States steel producers have recently embarked on further expansion of output from the rich iron ore deposits in Brazil, Labrador and Venezuela.

Production of iron ore in the Far East is far below pre-war levels; the reduction has occurred largely in the areas which formerly served Japan's drastically reduced pig-iron and steel industry.

The recovery of European iron ore and pig-iron production, substantially improved in 1948, has lagged behind steel, as table 7 shows.

Table 7. Iron Ore, Pig-Iron and Crude Steel Production: Totals for Europe (excluding USSR) 1937, 1947 and 1948

	1937	*1947*	*1948* [a]	*1947*	*1948*
	(In millions of metric tons)			*(1937 = 100)*	
Iron ore [b]	35	20	25	57	71
Pig-iron	44	26	35	59	80
Crude steel	56	37	47	66	84

Source: Secretariat of the Economic Commission for Europe, *Economic Survey of Europe in 1948* (Geneva, 1949).

[a] Provisional figures.

[b] Fe content.

Expansion of European steel production has been dependent on much larger utilization of scrap than in pre-war years, chiefly because of the shortage of rich ores and the need for conserving the short supplies of coke. The larger part of the increased steel production of continental Europe in 1948 occurred during the second half of the year and was due to improved supply of German scrap, coke and metallurgical coal. The output of Sweden's rich ores approximated the pre-war level in 1948, and efforts are being made to expedite delivery of ore-handling equipment in order to expand production.

Non-ferrous metals

Total primary production of non-ferrous metals was higher in 1948 than in the previous year but output of some metals, particularly lead and tin, had not regained pre-war levels. Better utilization of scrap, particularly in the United States, improved the total supplies of primary and secondary production, and the total supply of lead was also probably above the pre-war level in 1948. Never-

theless, supplies of non-ferrous metals lagged behind industrial production in general, except in the case of bauxite and aluminium; supplies of the latter, though far below war-time peaks, are now much larger than before the war.

Refining of metals continues to be concentrated largely in the industrialized countries; the United States has increased its production both absolutely and relatively, compensating for declines in Germany and Japan. Among under-developed countries producing ores, there are some cases of increased refining in post-war years, but refining of ores has generally receded from war-time peak levels and is sometimes even below the pre-war level.

There have been important changes in the pattern of non-ferrous metal consumption. The most far-reaching of these arises from the emergence of the United States as a large net importer of metals—even of the metals in which it had been practically self-sufficient before the war. The world-wide dollar shortage has provided an incentive for non-ferrous ore and metal producers to export to the United States, while the United States has exported refined metals and more highly finished products.

Increases in metal consumption have also occurred in Latin America, particularly in Argentina, Brazil, Chile and Mexico, and in Australia, Canada and India.

Elsewhere, there has generally been a decline in the consumption of non-ferrous metals; by far the largest drop occurred in Germany, Italy and Japan. Sweden and Switzerland have been able to increase consumption, as have certain other European countries which are able to obtain access to these metals in their colonial possessions. In other areas consumption has fallen, often very substantially, and large authorizations for the purchase of non-ferrous metals in the Western Hemisphere by the countries of western Europe have been made by the United States Economic Cooperation Administration. Europe may become less dependent upon imports of non-ferrous metals from the Western Hemisphere as production in Africa, Asia and eastern Europe develops.

The post-war supply situation was made easier by drastic declines in German, Italian and Japanese consumption and by increased use of scrap, technological improvements and substitutions. For example, the expanded supply of aluminium is being substituted for copper, and titanium oxide is used for white lead in paint. It is likely that many of these measures may result in a permanent lowering of the volume of non-ferrous metals necessary to sustain a given level of industrial production.

Prices of non-ferrous metal continued to climb steeply in 1948, strongly supported by United States stock-piling and by rising demand throughout the industrialized world. By the end of 1948, lead, zinc and copper prices were far above their 1937 levels. Only aluminium, of the more important metals, was cheaper in 1948 than before the war; world supplies were over twice as large as before the war. The strength of the market had apparently been overestimated in the price rises of 1948; early in 1949 typical non-ferrous prices turned sharply downwards in the United States, as shown in chart 4.

Reductions in United States metal requirements, emerging in the form of reduced net imports, may be expected to make supplies more easily accessible to non-dollar areas. Prices of the non-ferrous metals in the United Kingdom also declined, following the drop in the United States. The price of tin has doubled since the end of the war but since mid-1948 has not changed significantly.

Rubber

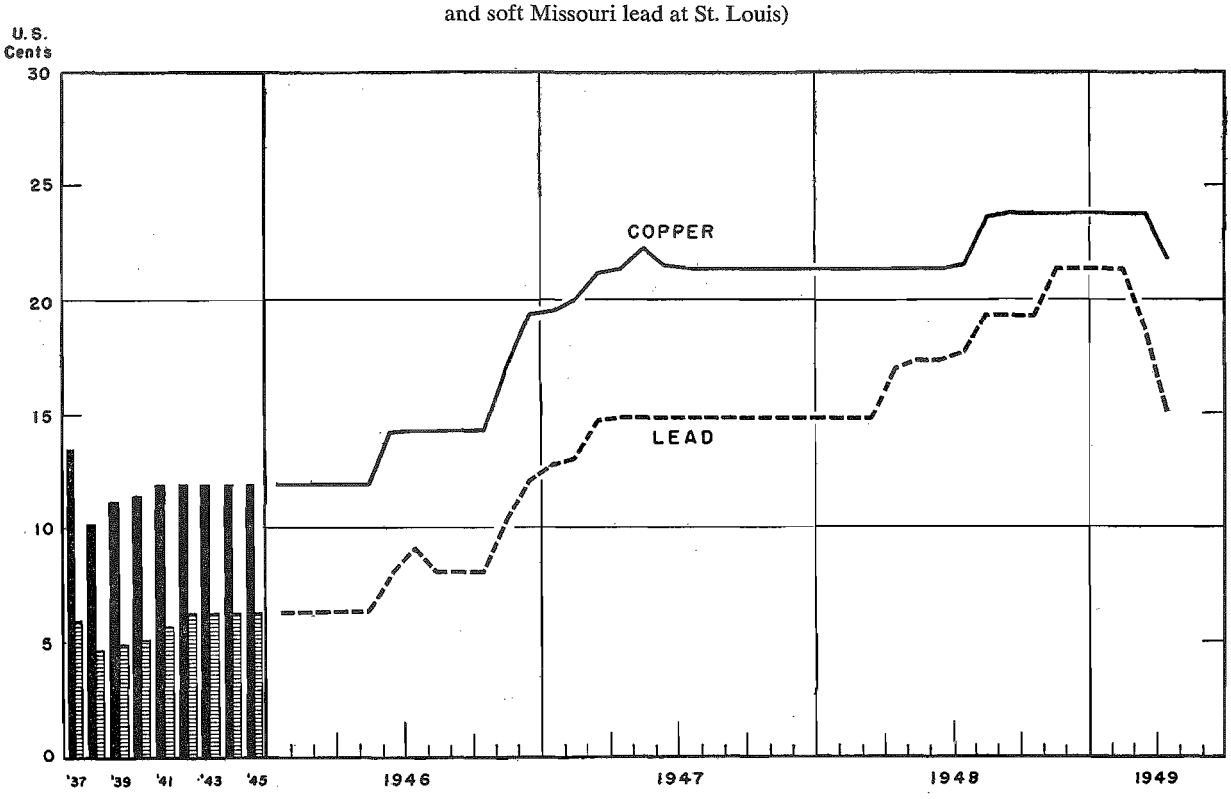
As a result of the material increase in natural rubber production over pre-war levels and the growth in the United States of a large synthetic rubber industry, rubber is one of the few raw materials whose available supply is greatly in excess of pre-war.

World production of natural rubber advanced substantially in 1948 and reached a level over one-quarter higher than in 1937. Malaya, which is now producing at a much higher rate than before the war, and Indonesia, whose production moved sharply upwards in 1948 and neared pre-war levels, continued to account for three-quarters of world output. Among the smaller producers, large percentage increases over pre-war levels were also achieved in many countries of south-east Asia, Africa, Latin America and the Caribbean Islands.

Before the war, synthetic rubber production had been of very minor significance in total world

Chart 4. Movement of Copper and Lead Prices, 1937 to 1949

(Annual and monthly average prices per pound of electrolytic copper at New York and soft Missouri lead at St. Louis)



rubber output. By 1947 and 1948, however, the production of synthetic rubber—the United States accounted for over nine-tenths of the total—amounted to over one-third of world natural rubber production.

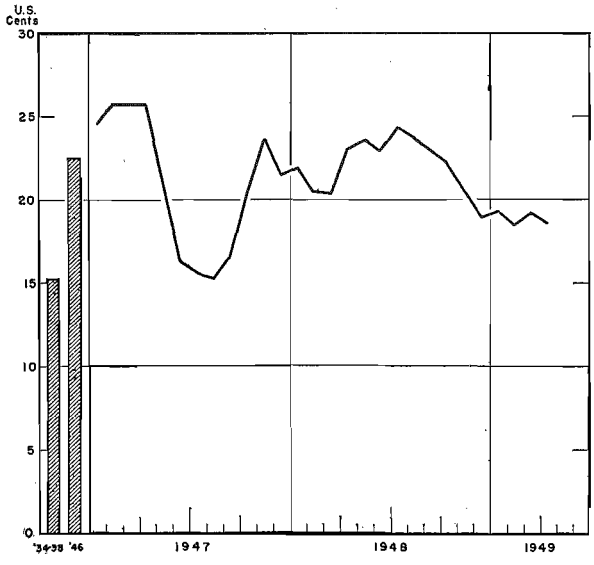
Thus total production of rubber in 1948 was 70 per cent above its level in 1937, which had been a record production year. In these circumstances, the average price of natural rubber was little higher in 1948 than in 1937 and, in the United States, declined early in 1949 below the level of the synthetic rubber price of 18.5 cents per pound, as shown in chart 5.

The United States consumed over one-half of the total world production of natural and synthetic rubber in 1948 and, together with Canada, France, the United Kingdom, and the Union of Soviet Socialist Republics, accounted for four-fifths of total world consumption during the year.

Further increases in natural rubber production are anticipated despite the excess of world production over consumption in 1948. The position of

Chart 5. Post-war Movement of Natural Rubber Prices

(Annual and monthly average spot price at New York, per pound of natural rubber No. 1 RSS)



rubber is thus obviously more vulnerable than that of other raw materials. Early in 1949 a meeting of the Rubber Study Group in London foresaw a potential surplus, apart from net additions to stock piles, of 125,000 tons of natural rubber in 1949, which would represent approximately 8 per cent of anticipated world natural rubber production in that year.

Wood

Preliminary estimates by the Food and Agriculture Organization of the United Nations indicate that world production of roundwood in 1948 reached its 1937 level and exceeded 1947 output by at least 3 per cent. North America and Europe produced over three-fifths of the total volume of world roundwood, and well over four-fifths of the world output of forest products. Within this group, Canada and the United States increased their shares of world production (outside the USSR) of forest products, from less than half in 1937 to nearly two-thirds in 1947, while European prodution (apart from the USSR) declined from 40 per cent to 25 per cent. Latin America and Africa, with one-third of the presently accessible forest area of the world and much more of the total timber stands, accounted for only 15 per cent of world roundwood production in 1947.

World wood-pulp production expanded somewhat, as compared with pre-war, but while the United States and Canada accounted for less than half of world production in 1937, their contribution to the world total in 1947 and 1948 had risen to two-thirds, and there were corresponding heavy declines in Europe, particularly in Finland, Germany, Norway and Sweden, and in Japan. Wood-pulp production has been expanded, as compared with pre-war, in Argentina and Mexico, and new mills have been constructed in Brazil and New Zealand, but their output is negligible in the world total.

Supplies of lumber were lower than before the war in precisely the areas which, owing to war devastation, had the greatest need, that is, in Europe and in southern and eastern Asia. Timber felling increased rapidly in the Union of Soviet Socialist Republics in the post-war years and production in 1948 was 7 per cent above its 1940 level, but internal reconstruction requirements prevented the country from resuming its position as one of the world's principal exporters of sawn lumber. Equipment shortages impeded expansion of production in eastern European countries. Increases in coal supplies enabled Sweden in 1948 to reduce its fuel-wood consumption, setting free supplies for other purposes, including substantially increased exports of sawn soft wood.

The increase in the price of lumber, to over three times its pre-war level, has stimulated the trend towards economies in the use of lumber and the substitution of other building materials. Moreover, some important European consumers have curtailed their housing programmes, and the effective demand of the importing countries of Europe appears to be below pre-war levels. Stocks of sawn soft wood showed a tendency to rise during 1948.

Fibres

The world output of all natural fibres in 1948 was 8 per cent above the previous year, but more than 10 per cent below the average for 1934 to 1938. The output of silk, flax and jute, in particular, lagged far behind pre-war levels. Synthetic fibre production, on the other hand, showed an increase in 1948 of nearly one-quarter, compared with the previous year, and of three-quarters, compared with the pre-war period 1934 to 1938. This increase has more than offset the lower production of cotton and silk, so that in 1948 total world output of all apparel fibres, natural and synthetic, was about equal to the average for 1934 to 1938.

Many countries of Europe and Latin America are producing much more rayon than before the war. In some cases, new sources for natural fibre production have been developed but, in general, new major producers have not appeared and production continues to be highly concentrated in a small number of countries. On the other hand, there is evidence of substantial growth in mill consumption, particularly of apparel fibres, in areas of the world which hitherto depended on the advanced industrial countries for most of their textile products.

The supply of apparel fibres has now reached the point at which the backlogs of effective consumer demand in the industrialized—and even in some of the under-developed—countries has largely been satisfied. Although the export demand for fibres may be more resilient than for manufactures, as a result of the growth of textile industries

in under-developed areas, the price decline which began in 1948 continued in 1949; increased competition among various fibres was indicated and, for the first time since the war, an increase in stocks of cotton was expected.

The backlog of post-war demand resulted in appreciable drawing on stocks of cotton and wool and in increasing prices. In the case of cotton, prices advanced to the middle of 1948 and were above rayon staple fibre prices. Cotton prices have since declined to a competitive level with rayon; United States cotton prices dropped to Government support levels. Wool prices continued upward into early 1949. By April 1949, however, wool prices had dropped by about 15 per cent and had returned to the levels of April and May 1948 for the better grades and of November 1948 for the cheaper grades. Prices of the cheaper grades had increased relatively little, prior to November 1948, but rose sharply in the few months preceding their fall.

The supply of non-apparel fibres was still considerably below pre-war, and favourable short-term production and market prospects are indicated, though prices may have to fall from present high levels if larger supplies are to be absorbed. On a long-term basis, these fibres will meet with increasing competition from substitutes and world effective demand may be somewhat lower than before the war.

MANUFACTURES

Textiles

The level of textile manufacturing activity in most of the countries for which data are available showed an advance in 1948 over the previous year, though many countries had still not regained their 1937 rate of activity, as table 8 shows. For the world as a whole, it is likely that available supplies of clothing in 1948 were somewhat above their 1937 level. The fall in the output of cotton goods, as compared with pre-war, was offset by the larger use of rayon, while the production of woollen goods was substantially above the 1937 level. Following recovery of world output to the pre-war levels, competition was intensified, with unmistakable repercussions on output in some of the industrialized exporting countries and in many of the under-developed countries as well. There are also signs in some countries that the effective demand for domestic textile products at prevailing prices has weakened.

Table 8. Textile Manufacturing: National Indices
1938, 1946, 1947 and 1948
(1937 = 100)

Country	*1938*	*1946*	*1947*	*1948*
Austria	. .	. .	36	57
Belgium	80	94	111	97
Canada	85	142	151	158
Chile	96	135	137	139 [a]
Czechoslovakia	. .	. .	60	76
Denmark	94	90	106	126
France	95	65	85	96
Germany (UK and US zones) [b]	. .	. .	30	52
Greece	111	71	88	86
Ireland [c]	100	120	134	145
Italy [c]	100	55	77	75
India [d]	109	102	96	112 [e]
Japan	93	10	15	17
Mexico	94	105	97	104
Netherlands	95	52	83	100
Norway	87	74	93	105
Poland	104	83	101	131
Spain [b]	. .	127	92	. .
Sweden	98	125	127	135
United Kingdom	86	72	77	91
United States	80	153	154	160

Source: Statistical Office of the United Nations and secretariat of the Economic Commission for Europe, *Economic Survey of Europe in 1948* (Geneva, 1949).

[a] Average of first eleven months.
[b] 1936 equals 100.
[c] 1938 equals 100.
[d] Production of cotton textiles; excluding Pakistan beginning September 1947.
[e] Average for January to October.

Textiles have traditionally played an important part in the early efforts of countries towards industrialization. Expansion of textile manufacturing capacity began before the war in many under-developed countries and received added impetus during the war because of reduced exports of the industrialized countries. Increased capacity for cotton and, in some cases, woollen manufactures has been installed or is planned in almost all countries of Latin America, the Middle East and Africa, as well as in India. Although world consumption of cotton was somewhat less in 1947/48 than in 1938/39, large increases in mill consumption of cotton were registered during this period in Latin America and Africa. The following countries increased their domestic consumption of cotton by more than 50 per cent in 1947/48, as compared with 1938/39: Argentina, Belgian Congo, Chile, Colombia, Cuba, Ecuador, Egypt, El Salvador, Guatemala, Nigeria, Peru, Siam, Uruguay and

Venezuela. Some advance in local production of woollens has also been achieved in certain Latin American countries, particularly Argentina. As already indicated, increased rayon production was widespread.

Significant increases in production and capacity have also taken place in Australia, Canada and New Zealand, and large foreign investment in local textile production has taken place in the Union of South Africa. Canadian textile production in 1948 was nearly three-fifths higher than in 1937. Australia has greatly expanded its cotton and woollen manufacturing capacity, and cotton consumption was twice as high as pre-war. Full utilization of increased capacity in Australia and New Zealand was hampered by labour shortages.

The outstanding feature of the situation in the Far East is the decline in Japanese textile manufacturing to only 17 per cent of its 1937 level, though operable capacity would permit almost twice the output attained. An important obstacle to the restoration of Japanese production has been the lack of export markets, a result of the reluctance of importers to pay for Japanese textiles in dollars. Thus the textile machinery industry of Japan is now producing largely for export, rather than for re-equipment at home. In China, cotton consumption was not seriously lower in 1947/48, as compared with 1938/39, but the rapidly deteriorating economy and the shortage of raw cotton caused many plants to close down in 1948. Indian textile manufacturing, with capacity somewhat above pre-war, increased rapidly during 1948, reaching its highest peace-time levels. With the abandonment of controls, retail prices rose to some four times their pre-war level; India nevertheless became a net exporter, while domestic consumption remained below pre-war levels and stocks accumulated. Woollen production remained low. The Union of Soviet Socialist Republics, in 1948, after rapid increases in production during 1947 and 1948, regained its 1940 level of output of woollen fabrics, but cotton fabric production was still below the last pre-war year. In other countries of Europe, textile production in 1948 was nearly one-fifth higher than in the previous year, but still 18 per cent below the 1937 level—or 11 per cent below, if Germany is excluded.

Notwithstanding the relatively low level of output, textiles provided the first European instance, since the war, of a fall in production in a major industry caused by a decline in demand rather than a scarcity of resources. Italian output in 1948, notwithstanding larger exports, was reduced from 1947. Belgian production, expanded in 1947 to over 10 per cent above 1937, fell the following year to below the pre-war level and declined further in 1949. French output was also reduced early in 1949.

With world supplies regaining pre-war levels, textile markets in 1948 showed signs of serious weakness. Increased domestic supplies of all forms of clothing encountered falling consumer demand at existing prices. The growth of self-sufficiency in textile manufacturing over large areas of the world has had the result of reducing the relative importance of international trade in textiles. Textile exports by the United States in 1948 were over one-third lower than in 1947; the fall was most marked in the case of woollen fabrics, which were reduced by nearly one-half. Exports by Brazil in 1948 were less than half those of the previous year; Mexico exported less than half the 1946 total. The United Kingdom fell far short of fulfilling its textile export targets for 1948 and ended the rationing of a large range of textile manufactures at home. Domestic supplies also accumulated during 1948 in other western European countries. Competition between locally produced goods and imports has been intensified in Latin America and the Middle East where, in the face of continued high prices, there have been recent indications of diminished effective demand. This situation has developed at a time when Japanese and German output is still only a fraction of pre-war. The re-entry of these countries into the export market on a large scale would substantially increase the difficulties of Europe and of the United States in increasing or even maintaining their exports of textile manufactures, at a time when western European recovery plans look to a considerable expansion of textile exports.

Heavy industries

Heavy industry has continued to expand more rapidly than industry in general. Output in 1948 was considerably in excess of the 1937 level and provided larger supplies of equipment for industry, transportation and construction. Although heavy industry is concentrated in the more highly developed countries of the world, noteworthy advances

have taken place in such countries as Argentina, Australia, Canada and Poland, and some increases have occurred in several less-developed countries.

The expanded output of important producers in western Europe was largely devoted to exports, while United States exports declined in 1948. Intensified competition among exporting countries is foreshadowed for the period ahead, and continued expansion of production is, for these countries, increasingly a problem of finding effective external demand, although government support continues for programmes to generate domestic demand, as well as to promote exports.

The engineering industry advanced more rapidly than crude steel production, indicating a larger utilization of steel supplies for output of machinery and equipment. During the course of the year, chemical output increased even more than engineering production and resulted in the elimination of short supply in most chemicals. However, nitrogenous fertilizer, despite production levels substantially above pre-war, was still in short supply.

Crude steel production. World production of steel ingots and castings in 1948 reached a new peace-time high at some 153 million metric tons—18 million tons, or 13 per cent, above 1937 production. The advance was geographically widespread as may be seen from table 9 and chart 6.

The United States, with the largest absolute expansion over pre-war, more than offset the curtailment in German and Japanese crude steel production—from 25 million tons in 1937 to 8.7 million tons in 1948. In the rest of the world, a 21 per cent advance in 1948 brought the net total to 5 million tons over 1937.

Among the larger producers, the United States, Union of Soviet Socialist Republics, United Kingdom, Belgium, Luxembourg and France registered the largest absolute gains in 1948; all exceeded total 1937 production or, by the end of the year, the 1937 rate of production. The Union of Soviet Socialist Republics, in advance of plan, and France surpassed the pre-war rate of production only at the end of the year. Available production in France, with the 1.2 million tons of crude steel from the Saar, exceeded the 1937 total. Crude steel production in the United Kingdom by the end of 1948 had reached an annual rate corresponding to the target for 1951. This was of particular importance to the United Kingdom's engineering industries, whose output is geared to the export drive.

Among smaller producers, almost all, with the notable exception of Italy, produced substantially more steel in 1948 than in 1937. Canada surpassed war-time as well as pre-war levels in 1948. Australia and India, in spite of small gains in 1948,

Chart 6. Crude Steel Production for World and Major Producing Countries

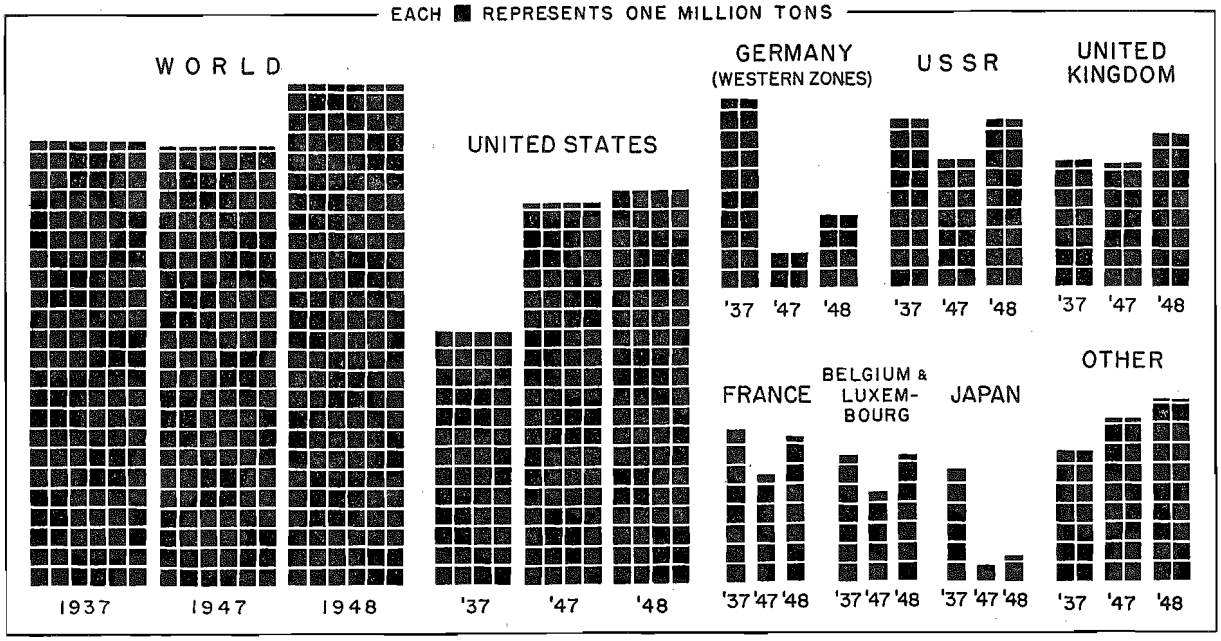


Table 9. Crude Steel Production: Totals for World and Certain Countries
(In millions of metric tons)
1937, 1947 and 1948

Country	1937	1947	1948	1948 as per cent of 1947
World	135.1	134.5	152.6	113
World (excluding United States)	83.7	57.5	72.3	126
World (excluding Germany, Japan and United States)	58.6	52.7	63.6	121
United States	51.4	77.0	80.3	104
Germany,[a] UK, US, and French zones	19.3	3.8	7.0	180
USSR [b]	17.7	13.0	16.7	129
United Kingdom	13.2	12.9	15.1	117
France	7.9	5.7 [c]	7.2 [c]	126
Belgium and Luxembourg	6.4	4.6	6.4	139
Japan	5.8	0.9	1.7	189
Czechoslovakia	2.3	2.3	2.6	116
Italy	2.1	1.7	2.1	123
Canada	1.4	2.7	2.9	107
Poland	1.5 [d]	1.6	1.9 [e]	119
Australia	1.1	1.3	1.3	100
Sweden	1.1	1.2	1.3	106
India	0.92	1.2	1.2 [f]	100
Union of South Africa	0.28	0.6	0.6	100
Brazil	0.08	0.39	0.48	123
Mexico	0.02	0.32	0.27	84

Source: Statistical Office of the United Nations. Countries in order of pre-war magnitude of crude steel production.

[a] 1937 production based on pre-war area; 1947 data include 3 million tons for UK and US zones, 0.8 million tons for Saar and French zone. In 1948 UK and US zone figures were 5.5 million, Saar and French zone, 1.3 million and USSR zone, 0.2 million tons.

[b] Secretariat of the Economic Commission for Europe, *Economic Survey of Europe in 1948.*

[c] Not including Saar.

[d] Pre-war boundary.

[e] Based on 8-month average.

[f] Based on 10-month average.

were still producing considerably less than in war-time years, though well above the 1937 level. Output in Brazil, Mexico and the Union of South Africa, which had been expanded in war-time, continued to grow in post-war years; Brazil recorded a substantial gain in 1948.

With increased production in Europe, the movement of crude steel in European exports during 1948, though still below 1937 levels, was more than 2.5 times that of 1947.

Since 1937, and especially during the war years, a number of countries which were formerly importers of German iron and steel products have been increasing domestic production—notably Brazil, Czechoslovakia, Poland and Sweden; and during the post-war years, Belgium, Luxembourg, the United Kingdom and the United States have increased exports to countries which formerly imported from Germany. The United States, producing more than half of the world total of crude steel in the post-war period, emerged as the largest exporter of steel mill products. However, exports from the United States decreased in 1948 as dollar shortages persisted, western European production of crude steel increased and Latin American imports of steel mill products were reduced by nearly 1 million tons. United States steel production continued upward in the first quarter of 1949 but declined steadily during the second quarter of the year.

Engineering industries

Spurred by urgent domestic and foreign post-war demands for reconstruction, reconversion and industrial expansion, production of the engineering industries has increased rapidly and is now far above pre-war levels. In 1948, output advanced in all producing countries for which data are reported, except Italy, as may be seen in table 10.

Although the expansion in the output of engineering products over pre-war has generally been supported by post-war domestic demand, an in-

Table 10. Engineering[a] Production: National Indices

1947 and 1948
(Base year = 100)

Country	Base year	1947	1948	1948 as per cent of 1947
Austria	1937	66	108	165
Belgium	1938	128	158	123
Czechoslovakia	1937	97	116	120
Denmark	1938	115	127	110
France	1937	82	93	114
Germany, UK and US zones	1936	35	61	174
Ireland	1938	104	167	161
Italy	1938	77	77	100
Japan	1937	18	29	161
Netherlands	1938	93	122	130
Norway	1938	131	139	106
Poland	1938	192	229 [b]	119
Sweden	1937	133	137	103
USSR	1940	107	154	143
United Kingdom	1938	122	139	114
United States	1937	208	210	101

Source: Official statistics and secretariat of the Economic Commission for Europe, *Economic Survey of Europe in 1948.*

[a] Also includes metal industries in Belgium, Czechoslovakia, Denmark, Ireland, Italy, Norway and United Kingdom.

[b] Eleven months only.

creased proportion of the expanded engineering production is being devoted to export markets by a number of European countries, notably Belgium and the United Kingdom. Approximately 50 per cent of Belgian machine tool production in 1947 was exported; in 1948, the proportion was increased to nearly 60 per cent. The role of the engineering industries in expanding United Kingdom exports is reflected in the fact that exports of metal manufactures increased from 38 per cent of total exports in 1938 to 52 per cent of the 1948 total.

Italy increased its engineering exports in 1948 over 1947, though total production remained unchanged at almost one-fourth below pre-war levels. German machinery and equipment has also reentered the export market. The most important producer and exporter, the United States, exported more than twice the pre-war volume in 1948, though less than in 1947.

Production of machinery in the United States began to decline somewhat after the first quarter of 1948. Output in the first four months of 1949 was 9 per cent lower than in the corresponding period of 1948 and capacity available for export orders accordingly increased.

It is estimated that idle engineering capacity in Europe could produce an additional $1,250 million of equipment and machinery. In exporting countries, prospects for further increase in production and, in the longer run, for maintaining the production level of the engineering industries, seem likely to depend upon expanding sources of effective demand.

Transport equipment. Demand for locomotives and waggons continued to be heavy as a consequence of post-war needs for reconstruction of transport in the war-devastated areas, for deferred replacements elsewhere, for economic development in under-developed areas and for generally increased rail traffic requirements.

In 1948, United States locomotive output was 550 per cent, and waggon production 144 per cent of the 1937 level; output of each represented more than half of world production outside the Union of Soviet Socialist Republics. During the course of 1948 the United States production goal of 10,000 waggons per month was exceeded. Of 32,139 waggons exported in 1947, 29,000 were shipped to France; in 1948 only a small number were exported. Export controls continued in force, but backlogs of orders were being reduced and it is expected that production capacity will be available for larger export orders in 1949.

In Europe (excluding the USSR), despite increased production of railway rolling stock, there was a decrease in the number of locomotives in operation because of heavy scrapping of obsolete equipment in several countries. The United Kingdom, the largest European producer and exporter of railway equipment, exported a smaller proportion of its production than of other engineering products.

In the Union of Soviet Socialist Republics, output of locomotives by the end of 1947 was above the pre-war rate. Production of rail transport equipment has been expanding rapidly and had increased by about half in 1948, compared with 1947.

Czechoslovakia and Poland have increased locomotive production fourfold and eightfold, respectively, while Poland also increased waggon production about fifty times as compared with prewar. In Germany, output of waggons was expanded very substantially in 1948, but production of locomotives had just begun.

Australian locomotive production, while relatively small, doubled between 1937 and 1947. In Japan, waggon output was restored in 1948 to four-fifths the pre-war level, but locomotive production in 1948 fell to less than 10 per cent of the 1937 level.

The total output of motor vehicle units was overshadowed by United States production of passenger cars, but a significant post-war development was the increased concentration on production of commercial vehicles. The larger world output of motor vehicles in 1948, as compared with 1937, is entirely attributable to increased production of commercial vehicles; the number of passenger car units remained somewhat below pre-war levels, as table 11 indicates.

In the United States, the output of trucks turned downward by mid-1948, but total motor vehicle production continued to expand throughout the year and, taking seasonal adjustment into account, was maintained in the first quarter of 1949.

In Czechoslovakia, France and the United Kingdom, special emphasis has been placed upon the export of vehicles, because of their high value in foreign exchange. In 1948, the United Kingdom's export of motor vehicles was well over two and a half times exports in 1938 and further increases were planned for 1949. With the United States supply overtaking the backlog of demand at reduced prices, United Kingdom exports to that country have encountered difficulties in 1949. French production of commercial vehicles has more than dou-

Table 11. Motor Vehicle Production: National Totals

1937, 1947 and 1948
(In thousands)

Country	Total			Commercial vehicles as per cent of total	
	1937	1947	1948	1937	1948
Canada	207.4	258.1	264.1	26.3	36.8
Czechoslovakia	16.6	14.6	24.9 [a]	24.1	28.8
France	222.0 [b]	133.0	193.6	17.8	48.3
Germany, UK and US zones	210.5 [c]	22.6	58.6	17.3	48.9
Italy	70.8	43.8	59.9	16.7	26.0
Japan [d]	18.0	11.1	16.8	40.9	81.4
United Kingdom	445.0 [e]	441.7	507.9	23.4	34.1
United States [f]	4,809.0	4,797.8	5,285.5	18.5	26.0
Total above countries	5,999.3	5,722.7	6,411.3	19.2	28.2
USSR	200.0	157.0	270.0	90.9	. .

Source: Statistical Office of the United Nations and secretariat of the Economic Commission for Europe, *Economic Survey of Europe in 1948* (Geneva, 1949).

[a] Based upon first eleven months of 1948.
[b] October 1937—September 1938.
[c] 1936.
[d] Excluding electric vehicles.
[e] 1938.
[f] Factory sales.

bled pre-war output although the total production of the industry remains below pre-war; nearly half of French vehicle output is for export. German production of trucks in the final quarter of 1948 exceeded pre-war levels and the value of vehicle exports tripled during the course of the year.

Merchant shipbuilding

The merchant fleets[1] of the world are about one-sixth larger than at the beginning of the Second World War, but there have been important changes in the distribution of tonnage among the maritime countries. As a result of war-time construction, about 40 per cent of the world's shipping tonnage was held by the United States at the close of the war, as compared with one-sixth of the pre-war world total.

Over the post-war years, active shipping tonnage held in the United States was considerably lowered, so that it represented 36 per cent of the world total. The fleets of Germany, Japan and Italy have been reduced drastically, from over one-fifth the pre-war shipping tonnage to less than 5 per cent in 1948. The aggregate shipping tonnage of other maritime countries now exceeds the pre-war total. Merchant fleets have been restored by means of reparation

[1] Based on Lloyd's *Register of Shipping;* relates to gross registered tonnage of self-propelled vessels of 100 tons and over, excluding sailing vessels and barges.

transfers, sales and transfers by the United States and construction of new vessels.

Much of the post-war merchant fleet is composed of old ships which are slow and difficult to operate. New construction is generally designed, not merely to restore the size of merchant fleets, but to improve their quality and composition and to reduce turn-round time and operating costs and thereby secure a better competitive position and increased foreign exchange earnings.

A number of Latin American countries have expanded their merchant fleets over pre-war tonnage, some appreciably. The tonnage of Argentina, Mexico and Peru has doubled, and Argentina has large tonnage under construction—some 246 thousand tons—in European shipyards.

World tonnage of new ships launched was considerably below the 1937 volume in 1948, as well as in 1947, as may be seen in table 12. Tonnage of new ships commenced in 1947 and 1948 was also less than in 1937. Shipping tonnage under construction, however, was 37 per cent above the 1937 volume in 1947 and was expanded to 43 per cent above 1937 in 1948.

Table 12. Merchant Shipbuilding in World (excluding USSR)
1937, 1938, 1947 and 1948
(In thousands of gross tons)

Item	*1937*	*1938*	*1947*	*1948*
Commenced	3,018	2,455	2,137	2,596
Launched	2,643	2,976	2,103	2,310
Under construction (end of year)	2,891	2,644	3,972	4,141

Source: Lloyd's *Register of Shipping;* vessels of 100 gross tons and over, excluding non-self-propelled vessels.

Shipbuilding in Germany and Japan, among the major pre-war shipbuilders, has been under restrictions imposed by the occupying authorities. Almost all other countries have expanded shipbuilding above the pre-war level. The largest expansion in new construction has taken place in the United Kingdom, where tonnage of ships launched, as well as those under construction, substantially exceeded the 1937 volume in 1947 and 1948. In Australia and Canada, where shipbuilding was of negligible proportions before the war, a considerable shipbuilding industry has been developed. Shipbuilding in the United States, which had been reduced by 1947 to a negligible proportion of war-time capacity and was even below the 1937 volume, was expanded in 1948 to twice the 1937 volume.

The volume of new ships commenced slumped sharply in the early months of 1949, but there was still a large accumulated tonnage under construction.

Chemicals

In 1948 chemical production advanced considerably over 1947 and for the first time since the end of the war many items disappeared from the list of chemicals in short supply. One of the most important products that continued in short supply was nitrogen for fertilizers. As table 13 shows, the increase in chemical production was widespread. Production continued to be concentrated in the major industrial countries, but a shift in the geographic distribution of production resulted primarily from the relatively low levels of production in Germany, Japan and Italy, and the relatively high levels in other countries, as compared with pre-war years. Germany and Japan, however, made very large gains in 1948 over 1947—53 and 56 per cent, respectively.

Important expansions of the chemical industry over pre-war levels occurred in the United States and the United Kingdom; the former more than doubled the pre-war rate of production and the United Kingdom increased its production by almost half. In the Union of Soviet Socialist Repub-

Table 13. Chemical Production: National Indices
1947 and 1948
(Pre-war = 100)

Country	*Pre-war year*	*1947*	*1948*
Argentina	1937	194	196 [a]
Austria	1937	74	132
Belgium	1936–38	130	151
Bulgaria	1938	138	–
Canada	1937	168	174
Chile	1936	112	115 [b]
Czechoslovakia	1937	102	125
Denmark	1938	107	118
France	1937	106	123
Germany, UK and US zones	1936	40	61
Ireland	1938	84	88
Italy	1938	82	93
Japan	1937	16	25
Netherlands	1938	82	104
Norway	1937	97	99 [c]
Poland	1938	147	214 [c]
United Kingdom	1938	127	146
United States	1937	223	227

Source: Official statistics and secretariat of the Economic Commission for Europe, *Economic Survey of Europe in 1948* (Geneva, 1949).

[a] First quarter only.
[b] First three quarters of 1948.
[c] Eleven months average.

lics, large increases in the output of chemical products in 1948 were also reported, ranging from 25 to 45 per cent over 1947. Large percentage increases over pre-war were recorded by Poland, Argentina, Canada, Belgium, Austria, Czechoslovakia and France [1] and, among countries for which no composite chemical industry indices are available, in Switzerland and Australia. In addition, output of chemicals has been advanced above pre-war levels in a number of countries with small production. Among the latter are Brazil, Colombia, India, New Zealand and the Union of South Africa.

The disruption of the European chemical industry in the post-war period resulted in increased United States exports of chemicals to Europe and to countries formerly supplied by Europe. United States exports of chemicals declined between 1947 and 1948 as production increased in European countries, and in Australia, Canada and the Union of South Africa. United States production in 1948 was, nevertheless, slightly higher in 1948 than in the preceding year. The United Kingdom has replaced Germany as the second largest producer, exporter and importer of chemicals, after the United States.

With widespread production advances in 1948 and the rapid recovery of German production and exports of chemicals, indications of increased competition in export markets appeared among European countries, and also between the United States and the United Kingdom.

Nitrogen fertilizer supplies. World production of nitrogen fertilizers for the crop year 1948/49, estimated at 3.1 million metric tons of nitrogen content, compares with 2.7 million in 1947/48 and 2 million in 1937/38. Demand for nitrogen fertilizer has, however, been vastly expanded during the post-war years so that, despite the 60 per cent increase in production over the pre-war level, nitrogen fertilizer continues in short supply for many countries throughout the world. Ten countries[2] accounted for nearly 90 per cent of the world output (excluding USSR) of nitrogen fertilizer in 1948/49. Increased domestic use has absorbed much of the increased production and is expected to consume more of the output in the future.

While exports in 1948/49 are expected to reach 857,000 metric tons, a considerable increase over the preceding year, they will be insufficient to meet world import requirements. Germany and the Netherlands, which were pre-war exporters, have been large post-war net importers of nitrogen fertilizer. Japan, despite the restoration of production to pre-war levels, has become a larger importer, supplies from Manchuria no longer being available. During 1947/48 and 1948/49, Germany and Japan received about one-fifth of the world total of net exports. Supplies of nitrogen fertilizer in France and the Netherlands, both producing less than before the war, were also augmented by substantial imports. The Union of Soviet Socialist Republics has been rapidly increasing its supply of chemical fertilizers from domestic production. The major impact of shortages in the world supply of nitrogen fertilizer is thus being borne by countries with little or no indigenous production.

The Production and Supply of Food

As a result of the increase in the world supply of foodstuffs in 1948/49, consumption levels as a whole were significantly raised in a large part of the world. In the preceding year, *per capita* food supplies continued generally well below pre-war in Europe and the Far East and above pre-war elsewhere, though low levels continued to prevail in under-developed areas. In 1948/49, consumption levels in Europe were being restored to a point about midway between the lowest post-war level and the pre-war average; most notable improvements occurred in countries which had experienced severe post-war declines: Germany, Greece, Hungary, Italy, Poland and Yugoslavia. There was, however, little improvement in Asia and the Far East.

GRAINS

Production

Grain production in Europe in 1948/49, despite very substantial gains over the previous year, was only 87 per cent of the average output of 1934-38, while in the United States it was about 170 per cent of pre-war production and, in Canada, over 140 per cent. As a consequence, the proportion of

[1] In descending order, according to the amount of the percentage increase.

[2] Belgium-Luxembourg, Canada, Chile, France, Germany, Italy, Japan, including Ryukus, Norway, United Kingdom and United States.

world grain production (excluding the USSR) in 1948/49 accounted for by North America increased from about 32 per cent of the world total prior to the war to 45 per cent, while the share of Europe declined from 34 per cent before the war to 25 per cent in 1948/49, as shown in table 14. Grain production in the Union of Soviet Socialist Republics, estimated at about 112 million tons, in 1948/49 accounted for about 22 per cent of the world total (including the USSR)—about the same proportion as in the period 1934 to 1938.

The world shortage of rice, production and consumption of which is heavily concentrated in Asia, has been aggravated by post-war declines in the output of two major exporting countries in that area—Burma and Indochina. Increases in rice production in other continents during and after the war increased the proportion of total world output from areas outside Asia, from about 4 per cent of the world total prior to the war to about 6 per cent in 1948/49, but non-Asian production appears to have passed its peak.

Trade

Despite the large increase in European grain production in 1948/49 compared with 1947/48 and a less significant gain in rice production in the

Table 14. Grain Production: Totals for World (excluding USSR) and Continents
1934-38, 1947/48 and 1948/49

Continent [a]	All grains [b]			Bread grains			Coarse grains		
	1934-38	1947/48	1948/49	1934-38	1947/48	1948/49	1934-38	1947/48	1948/49
Millions of metric tons:									
World	343.6	340.6	401.7	147.7	141.9	159.5	195.9	198.7	242.2
Europe	116.3	78.7	101.5	61.4	35.2	51.8	54.9	43.5	49.7
North and Central America	109.7	143.1	182.3	28.3	47.8	47.6	81.4	95.3	134.7
United States	92.0	122.0	157.0	20.5	37.9	35.7	71.5	84.1	121.3
Canada	14.2	17.0	20.1	7.3	9.5	10.9	6.9	7.5	9.2
Asia	74.3	73.1	77.9	41.3	40.2	44.3	33.0	32.9	33.6
South America	25.5	25.2	19.6	8.5	9.2	6.3	17.0	16.0	13.3
Africa	12.6	12.8	14.2	3.8	3.2	4.2	8.8	9.6	10.0
Oceania	5.2	7.7	6.2	4.4	6.3	5.3	0.8	1.4	0.9
Percentage of total:									
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Europe	34.0	23.1	25.3	41.6	25.0	32.5	28.0	21.9	20.5
North and Central America	31.9	42.0	45.4	19.2	33.7	29.8	41.5	47.9	55.6
United States	26.8	35.8	39.1	14.0	26.7	22.4	36.9	42.3	50.1
Canada	4.1	5.0	5.0	5.0	6.7	6.8	3.5	3.8	3.8
Asia	21.6	21.5	19.4	28.0	28.3	27.8	16.8	16.6	13.9
South America	7.4	7.4	4.9	5.8	6.5	4.0	8.6	8.0	5.5
Africa	3.6	3.8	3.5	2.6	2.3	2.6	4.4	4.8	4.1
Oceania	1.5	2.2	1.5	3.0	4.4	3.3	0.4	0.7	0.4

Source: Food and Agriculture Organization of the United Nations.
[a] In order of pre-war volume.
[b] Not including rice.

Far East, net imports of grains by these areas in 1948/49 are estimated to be somewhat higher than in the preceding year. European importing countries have taken advantage of the availability of larger exportable surpluses of grain in 1948/49 to supplement indigenous production—still well below pre-war levels—sufficiently to improve bread rations, reduce extraction rates and the admixture of coarse grains with bread grains, increase the supply of animal feedstuffs and generally restore working stocks of animals. In Asia, increased quantities of grain have been imported because of the continuing rice shortage. As a result, net grain exports of exporting countries in 1948/49 are likely to be more than one-fifth above the pre-war average of 1934-38 and about one-seventh above the volume of exports in 1947/48.

As in previous post-war years, the major sources of grain imports in 1948/49 continued to be Argentina, Australia, Canada and the United States. Exports from various other areas, which provided 37 per cent of total exports prior to the war, were negligible, as shown in table 15. Exports of the United States, on the other hand, which were unimportant before the war, accounted for somewhat under one-half of total world exports in 1948/49

Table 15. Grain Exports: Totals for World and Certain Countries

1934-38, 1947/48 and 1948/49

Country [a]	All grains [b]			Bread grains			Coarse grains		
	1934-38	1947/48	1948/49	1934-38	1947/48	1948/49	1934-38	1947/48	1948/49
Millions of metric tons:									
World	32.2	34.4	39.0	18.4	26.8	27.0	13.80	7.60	12.00
United States	0.6	14.5	18.20	0.5	13.3	13.6	0.05	1.17	4.60
Canada	4.9	5.9	8.00	4.8	5.8	6.9	0.08	0.06	1.10
Argentina	10.7	7.1	5.25	3.5	3.1	1.6	7.23	4.01	3.65
Australia	2.9	3.2	3.75	2.8	2.8	3.2	0.08	0.38	0.55
USSR	1.3	1.5	2.25	0.9	0.6	1.25	0.42	0.94	1.00
Other	11.8	2.2	1.55	5.9	1.2	0.45	5.94	1.04	1.10
Percentage of total:									
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
United States	2.0	42.2	46.6	2.9	49.6	50.4	0.4	15.4	38.3
Canada	15.2	17.1	20.5	26.1	21.6	25.5	0.6	0.8	9.2
Argentina	33.2	20.6	13.5	19.0	11.6	5.9	52.4	52.7	30.4
Australia	9.0	9.3	9.6	15.2	10.5	11.9	0.6	5.0	4.6
USSR	4.0	4.4	5.8	4.8	2.2	0.6	3.0	12.4	8.3
Other	36.6	6.4	4.0	32.0	4.5	1.7	43.0	13.7	9.2

Source: Food and Agriculture Organization of the United Nations. Net exports of exporting countries.
[a] In order of post-war volume.
[b] Not including rice.

or, together with Canada, for about two-thirds of the total.

As a result of low production levels and higher domestic use in Asian rice-exporting countries, total exports in 1948/49 continued to be less than 40 per cent of pre-war, although more than a third above the previous year. More than one-fourth of the smaller volume of exports of rice in 1948 was provided by Brazil, Egypt and the United States; these countries accounted for less than 3 per cent before the war. The prospects for expanding international trade in rice are dependent on the restoration of production in Asian countries which formerly supplied rice to deficit countries in the region.

LIVESTOCK PRODUCTS

World meat production in 1948/49 was about 95 per cent of the pre-war output only because severe declines in Europe and the Far East were offset by high production levels in North America, where output was more than a third above the pre-war level, as shown in table 16. As a result, Canadian and United States meat production, which before the war accounted for about 30 per cent of the known world total (excluding the USSR) provided nearly 43 per cent of that total in 1948/49, while the reverse was the case for European meat production.

World trade in meat declined in 1948 from the level of the preceding year and was somewhat

Table 16. Meat Production: Totals for Major Producing Areas, by Continent

Pre-war, 1947 and 1948

Continent [a]	Quantity in thousands of metric tons			Percentage of total		
	Pre-war	1947	1948 [b]	Pre-war	1947	1948 [b]
Europe (excluding USSR)	12,245	7,553	7,558	43.7	27.0	28.1
North America	9,025	13,081	12,225	32.3	46.8	45.5
United States	7,783	11,300	10,359	27.8	40.4	38.6
Canada	672	1,100	1,117	2.4	4.0	4.2
South America	4,879	5,300	5,049	17.4	19.0	18.8
Oceania and South Africa	1,858	2,012	2,030	6.6	7.2	7.6
Total above areas	28,007	27,946	26,862	100.0	100.0	100.0

Source: Food and Agriculture Organization of the United Nations. In terms of carcass weight; including beef, veal, pork and lamb-mutton; including offals but excluding lard.
[a] In order of pre-war volume of production of major producing areas of specified continent.
[b] Preliminary.

above four-fifths the pre-war volume. This decline was largely a result of the reversion of the United States to its pre-war position as a net importer, and the decline in Argentine exports resulting from reduced output and increasing domestic demand. United Kingdom meat imports, the dominant factor in pre-war and post-war world trade, declined in 1948 as a result of reduced availabilities and higher meat prices in exporting countries.

Prospects for world trade in meat are uncertain. Several countries appear to be planning to increase their future exports of meat. Major feed producing areas may prefer to expand exports of meat rather than of feedstuffs. However, many European countries which are highly dependent on imported feedstuffs are planning to increase feed imports—some in order to increase domestic consumption of meat, and others in order to expand their meat exports.

Consumption levels of meat, dairy products and fats and oils continued in 1948/49 to be substantially below pre-war in deficit areas. The improved supply of grains in Europe foreshadows improvement in the consumption levels of meat, dairy products and fats and oils during the course of 1949. Most European countries do not expect, however, to be in a position to restore food consumption to pre-war levels before 1952/53.

FATS AND OILS

It is estimated that the world (including the USSR) supply of fats and oils for 1949 will also reach the pre-war level only because declines in other parts of the world, notably Europe and the Far East, have been offset by increases in production in the United States, as shown in table 17.

The countries of Asia and the Far East, the main pre-war sources of exports of fats and oils, exported during 1948/49 only half of the average volume of 1934-38, since output failed to regain pre-war levels. The considerably less significant volume of exports from European countries amounted to only two-fifths of pre-war. The substantial increase in United States exports, to four times their relatively small pre-war volume, augmented by increased supplies from Africa and South America, brought the total movement of fats and oils in international trade in 1948/49 to only three-fourths of its pre-war volume.

Europe has continued, as before the war, to account for about three-fourths of total imports of fats and oils. The major reduction in export availabilities has occurred in Germany and Japan; the latter's imports in 1948/49 were probably little above 6 per cent of the world total, as compared with 20 per cent prior to the war. The United Kingdom, the largest importer, obtained a volume of imports in 1948/49 somewhat above that of pre-war and therefore accounted for about one-third of the volume of world imports in 1948/49, as compared with one-fifth of the larger volume prior to the war.

Despite the continuance of apparent deficits, there is concern over possible surpluses in certain areas for some types of fats and oils. The Western

Table 17. Fat and Oil Production: Totals for World, by Continent
1934-38, 1948 and 1949
(Butter, oil-seeds and visible fats in oil equivalent)

Continent [a]	Quantity in thousands of metric tons			Percentage of total		
	1934-38	1948	1949 [b]	1934-38	1948	1949 [b]
World	23,300	22,300	23,100	100.0	100.0	100.0
Asia	8,645	7,750	8,020	37.1	34.8	34.8
Europe	4,250	3,100	3,200	18.2	13.9	13.9
North America (excluding Mexico)	3,330	4,920	5,080	14.3	22.1	22.0
United States	3,100 [c]	4,600	4,750	13.3	20.6	20.6
USSR	2,100	1,800	1,950	9.0	8.1	8.4
Africa	2,060	1,980	2,110	9.0	8.9	9.1
Latin America	1,700	1,805	1,785	7.3	8.1	7.7
Oceania	650	590	610	2.8	2.6	2.6
Whaling (all areas)	545	335	340	2.3	1.5	1.5

Source: Food and Agriculture Organization of the United Nations. Including butter, oil-seeds, and visible fats in oil equivalent. Represents indigenous supplies available in the form of oil, during the calendar year, after allowing for changes in stocks of oil-seeds and olive oil.

[a] In order of pre-war volume.
[b] Estimated.
[c] 1935-39.

Hemisphere, including the Philippines, is reported to be finding increasing difficulty in disposing of its supplies while consumption levels in large areas of the world are far from restored to pre-war levels. This situation is associated with the limited ability of most importing countries to import fats from hard currency areas where export availabilities are greater.

OUTLOOK

It is still too early to forecast reliably the probable size of the grain harvests of 1949/50. According to presently available data, larger areas are being planted than in the previous year. In view of the fact that yields were high in 1948/49, owing to very favourable weather conditions, it may be too much to expect that the coming year will bring substantial improvement.

The principal uncertainties regarding grain arise from year-to-year changes in regional production that affect surpluses or import needs and create problems of distribution. Production over the next several years will depend not only on the recovery or expansion of production in importing or largely self-sufficient areas, but also, in view of the large proportion of the total world supply of grains which is produced in a few exporting countries, on the extent to which grain surplus areas maintain post-war production levels. The future production of grain surplus areas, however, will in turn depend not only on the import requirements of the deficit areas, which may be affected by trends toward self-sufficiency, but on the extent to which desired consumption levels can be achieved in the light of the payments position of importing countries.

Since the post-war recovery in world output of meat and dairy products has been retarded by the shortage of supplies of grains and concentrates, the improved supply of grains in 1948/49, particularly of coarse grains, should provide the basis for substantial restoration of reduced livestock populations in food deficit countries, and should make its influence felt in the supply of livestock products by the latter part of 1949. For the world as a whole, the long-range outlook for increasing the supply of livestock products is likely to depend less on expanding the supply of feed than on increasing effective demand, since the consumption levels of meat and dairy products are closely associated with the general standard of living.

A moderate increase in world production of fats and oils in 1949/50, as well as further increases over the following years, appears to be in prospect, if production in Europe and the Far East continues at the present rate of recovery.

Chapter 2

INFLATIONARY AND DEFLATIONARY DEVELOPMENTS [1]

General Conditions

Inflationary tendencies prevailed in most parts of the world in 1947. In many countries these tendencies were reflected in open inflation. In a number of other countries inflation was contained by direct price controls and by rationing of scarce essential items.

A major factor in world-wide inflationary pressures was the existence of demand for consumption goods pent-up during the war. In many instances, this pent-up demand was supported by accumulated holdings of liquid assets. In the devastated countries and in some under-developed areas of the world, an even more important factor was the decline in *per capita* consumer supplies, especially of food, owing to reductions in agricultural output, declines in industrial productivity and, in some cases, to increases in population.

The combined pressure of investment, export surplus and budget deficit[2] does not appear to have been a major inflationary factor in most industrialized countries. This is indicated by the fact that the ratio of the sum of these items to aggregate income was in general not above that of pre-war. In net importing countries, large import surpluses were instrumental in offsetting the inflationary pressure of increased investment. The pressure of large export surpluses in exporting countries, especially in the United States, was offset by budget surpluses.

In some important under-developed countries, the inflationary pressure resulting from the sum of investment, export surplus and budget deficit was probably of greater significance for inflationary developments than it was in industrialized countries.

Some countries, in particular the United States and Canada, decontrolled during 1946 and 1947 and developed what may be called a post-decontrol inflation. In countries where open inflation prevailed, it was aggravated by hoarding of commodities. In China, where such hoarding had become general, hyper-inflation prevailed throughout the period.[3]

Except in a few instances, there were no symptoms in 1947 of slackening economic activity as a result of declining effective demand. In some countries, however, unemployment coexisted with inflation.

In 1948, the inflationary patterns of the preceding year were still prevalent in a large part of the world. Nevertheless, there was some tendency towards relaxation of inflationary pressures. The pressure of pent-up demand weakened in many countries. There was also some increase in supplies of consumption goods *per capita* and a considerable easing of specific shortages. The supply of food generally improved towards the end of the year after the favourable harvests of 1948. The full anti-inflationary impact of this factor, however, could not be felt until 1949.

The combined pressure of investment, export surplus and budget deficit, as measured by the ratio of their sum to aggregate income, did not change considerably in most countries in 1948. On the whole, private and public investment continued at the high level of the preceding year. Decreases in import surpluses in a number of net importing countries were generally offset by increases in government revenue or, in some instances, reductions in government expenditure. In the United States, the process was reversed; the decrease in the export surplus was offset by an increase in government expenditure and by a reduction in taxes.

In the Union of Soviet Socialist Republics, rationing was abolished at the end of 1947, simultaneously with the introduction of monetary reform. The increase in consumer supplies in the

[1] For a more complete theoretical analysis of the pattern of this inquiry see *Inflationary and Deflationary Tendencies 1946-48* (Lake Success, N. Y., July 1949).

[2] An import surplus should be considered as a negative export surplus and a budget surplus as a negative budget deficit.

[3] The analysis of China relates to government-held territory.

course of post-war reconstruction, especially after the favourable harvest of 1947, together with the effects of the monetary reform, made possible a considerable reduction in consumer prices.

In China, hyper-inflation continued at an accelerated rate and the monetary reform designed to end it proved unsuccessful.

For the first time since the end of the war, there appeared in 1948 and early 1949 some deflationary tendencies, in the form of an actual slackening in economic activity or the appearance of factors foreshadowing such a slackening. Italy, which suffers from considerable chronic unemployment, experienced in addition a recession beginning in the autumn of 1947, followed by a recovery in the second half of 1948, and another set-back at the beginning of 1949. There was also a considerable rise in unemployment in Belgium in the course of 1948. In the United States there was some involuntary accumulation of inventories in 1948, and unemployment increased significantly at the beginning of 1949.

Post-war trends in the number of unemployed are shown in table 18.

Table 18. Number of Unemployed in Certain Countries

1937, 1947, 1948 and 1949 (First quarter)

(Monthly averages in thousands)

Country	1937	1947	1948				1949
			First quarter	Second quarter	Third quarter	Fourth quarter	First quarter
Austria	321.0	52.8	48.4	47.4	51.9	70.8	133.3
Belgium [a]	126.5	67.7	112.2	97.8	125.3	186.4	243.4
Canada [b]	733.0	98.0	156.0	82.0	67.0	106.0	. .
Chile	3.2	4.9	3.9	5.3	4.4	3.9 [c]	. .
Denmark	. .	28.8	52.6	10.3	9.2	38.4	54.1
Finland	3.7	4.2	5.8	5.8	4.2	8.2	35.8
France	354.6	7.4	11.0	13.3	18.4	24.2	32.5
Germany:							
UK and US zones	. .	631.2	468.2	447.1	728.8	722.9	1,038.0
French zone	. .	. .	8.5	9.2	15.7	15.6	30.6
Hungary	15.2	79.6	113.8	117.2	81.9 [c]	. .	. .
India	. .	. .	220.6	214.3	231.8	232.9	254.1
Italy	. .	. .	. .	. .	. .	1,660.5	1,882.6
Japan	. .	436.0 [d]	360.0	190.0	157.0	267.0	. .
Netherlands	324.0	30.7	33.2	23.3	24.2	35.4	47.8
New Zealand	6.3 [e]	0.09	0.03	0.10	0.08	0.05	0.04
Norway	. .	8.5	16.1	6.4	4.0	7.4	13.2 [f]
Poland	375.0 [g]	69.4	83.2	75.6	71.6	84.4	. .
Sweden	63.7	24.4	36.8	18.2	16.5	31.3	34.6 [c]
Switzerland	57.9	3.5	4.1	1.0	1.3	5.6	11.6
United Kingdom	1,786.5 [h]	281.1 [i]	342.3	314.2	317.9 [j]	350.9 [j]	395.0 [j]
United States [k]	7,700.0	2,141.0	2,381.0	2,046.0	2,022.0	1,805.0	3,017.0

Source: Statistical Office of the United Nations.

[a] Post-war figures based on compulsory unemployment statistics.

[b] Post-war figures based on quarterly sample surveys of the labour force for February, May, August and November of each year.

[c] 2-month average.

[d] 5-month average.

[e] April-December 1939.

[f] January 1949 only.

[g] Pre-war territory.

[h] 1938.

[i] Excluding men and women classified as unsuitable for ordinary employment.

[j] Coverage broadened by introduction of National Insurance Act.

[k] Post-war figures based on labour force sample surveys.

Developments in Major Areas

This chapter contains an analysis of inflationary and deflationary developments in the following areas: (*a*) western Europe, (*b*) Union of Soviet Socialist Republics, Poland and Czechoslovakia, (*c*) United States and Canada, (*d*) Australia, (*e*) Latin America, (*f*) India and (*g*) China. Many countries and some regions have been omitted from this analysis owing to the lack of adequate data; some discussion of the situation for countries and areas not included here may be found in part II of this report, which deals with regional economic conditions.

WESTERN EUROPE

The situation in 1947

Inflationary pressures in western Europe in 1947 were not primarily due to the combined pressure of private investment, budget deficits and export surplus. This is clear from the fact that the sum of these three items, which will be referred to subsequently as "net non-consumption payments",[1] was not significantly higher than before the war in relation to private income. In some instances, as in Denmark and Norway, the ratio of net non-consumption payments to private income was much lower than before the war. In practically all countries private investment in 1947 was higher in relation to income than before the war as a result of extraordinary requirements arising from war damage, lack of replacement during the war and reconversion. However, this was offset, and in some instances more than offset, by large import surpluses financed mainly by loans and grants from the United States and by a reduction in the gold and dollar assets of the importing countries.

A widespread factor in inflationary pressure was the demand for consumption goods pent-up during the war. In many instances, this was backed by accumulated liquid savings. In countries such as France and Italy, however, which experienced a considerable rise in prices before 1947, or in countries such as Belgium and Holland, where monetary reforms had been instituted after liberation, accumulated savings were of minor significance in 1947.

In some of the devastated countries of western Europe, such as France and Italy, a powerful inflationary factor was the reduction in essential consumer supplies *per capita,* owing to devastation in farm areas, reduction in industrial productivity, shortage of fuel and so forth. The shortage of food was particularly serious. On the one hand, food supplies were reduced more than other supplies of consumption goods; and on the other hand, there was a tendency, associated with the fall in real income, to spend a higher proportion of income on food. Although in other countries of western Europe total *per capita* consumption did not fall considerably, food consumption was somewhat lower than before the war. More important was the acute shortage of specific food items, especially of meat and fats. Data on *per capita* food supplies in certain countries of western Europe are given in table 19.

Table 19. Per Capita Food Supplies: Indices of Daily Calorie Intake in Western European Countries
1946/47 and 1947/48
(1934-38 = 100)

Country	*1946/47*	*1947/48*
Belgium	88	90
Denmark	94	93
France	85	78
Italy	81	81
Netherlands	93	91
Norway	89	93
Sweden	100	95
United Kingdom	94	92

Source: Food and Agriculture Organization of the United Nations, *The State of Food and Agriculture, 1948.*

As a result of the above factors, considerable inflationary pressures developed in all countries of western Europe. In all of these countries, except France, Italy and, to some extent, Belgium, these pressures were contained by direct controls and, particularly, by rationing of essential items in scarce supply and by fairly general price controls. Belgium occupied an intermediate position. During the first half of 1947, a fairly comprehensive rationing system for essential foods was still in force in that country, although most of the price controls had already been relaxed; in the second half of 1947, derationing of food was initiated on a large scale.

It is interesting to note that such controls were absent in the two countries in which inflationary pressure was greatest, i.e. France and Italy. Only partial rationing was in effect in these countries and it was inadequate to prevent the development of an inflationary spiral. Real wages were reduced as compared with pre-war, as a result of the fall in *per capita* real private income and of the redistribution of income from wages to other incomes.[2] Although higher money wages were demanded and obtained by workers, these increases were frustrated by subsequent rises in prices. In this

[1] These items are referred to as "non-consumption payments" in the sense that they are payments not derived from the production of goods for personal consumption and as "net payments" in the sense that government expenditures are net of government revenues.

[2] In France, real wage rates were reduced more than real labour income because man-hours of employment were increased.

way the inflationary spiral of prices and wages continued. The lack of confidence in money arising from the continuous rise in prices encouraged hoarding of commodities, which aggravated the supply position and thus intensified the inflationary process.[1] In France the spiral continued throughout 1947 but in Italy it was ended in the middle of the year when a recession set in.

In controlled economies, inflationary pressures were manifested in shortages of price-controlled items and in very high prices of non-controlled unessentials in relation to prices of controlled goods. In most of these countries, not only was there no redistribution from wages to other incomes but, on the contrary, as a result of the operation of controls, taxation and subsidies, the relative share of labour income in total private income was higher than before the war.

With the exception of Italy, all of these countries showed a high level of employment in 1947. In Italy inflation coexisted with large-scale unemployment. The number registered as unemployed even before the recession began amounted to about 2 million, which is probably not less than 15 per cent of the labour force. This unemployment was caused not so much by a fall in civilian employment as by an increase in the size of the labour force. The war-time draft and the demands of war industry drew upon the disguised rural unemployment; with the end of the war, the former disguised unemployment appeared as visible unemployment in the industrial towns. The net natural increase of the town population, war losses being comparatively small, as well as the disbanding of the standing army and the fascist militia, were contributing factors.[2]

Developments in 1948 and early 1949

France. The inflationary spiral of prices and wages continued in 1948 in France. The pressure of net non-consumption payments, as reflected in their ratio to private income, does not appear to have changed significantly. A considerable increase in private investment in relation to gross private income was roughly offset by a reduction in the budget deficit, resulting primarily from higher revenue, and an increase in the import surplus.

[1] Hoarding of commodities is in general not adequately reflected in the data on investment; the ratio to private income of net non-consumption payments is accordingly understated.

If account is taken only of the ratio of net non-consumption payments to income, it appears that there was virtually no change in inflationary pressure from the preceding period. In fact, however, inflationary pressure was increased by the rise in import prices in relation to money incomes as a result of devaluation. This reduced the contribution of the import surplus to the supply of consumption goods. The effect of this factor was reflected in a rise of retail prices of goods dependent upon imported raw materials, e. g., textiles.

The food supply for the year as a whole was not above that of 1947 and even deteriorated temporarily in the third quarter of 1948 before the full impact of the favourable harvest was felt. At the end of the year food prices weakened. As a result of the favourable harvest, wholesale prices of food declined considerably. This fall was not reflected in retail prices until the early months of 1949. Indices of the cost of living in Paris and wage rates in France are given in table 20.

Table 20. Cost of Living and Wage Rates: Indices for France
(First half of 1947 = 100)

Item	1947		1948	
	First half	*Second half*	*First half*	*Second half*
Cost of living (Paris) [a]	100	137	172	204
Wage rates [b]	100 [c]	122 [d]	165 [e]	185 [f]

Source: Statistical Office of the United Nations and *Bulletin de la statistique générale de la France.*
[a] Including 29 food articles, 4 fuels and soap.
[b] Index of Ministry of Labour for male and female workers in France.
[c] 1 April 1947.
[d] 1 October 1947.
[e] Average of February and May 1948.
[f] October 1948.

Italy. Economic activity in Italy began to decline in the second half of 1947. The index of industrial production in the first quarter of 1948 was about 10 per cent below the peak reached in the third quarter of 1947. Registered unemployment, which had already been considerable, began to rise in January 1948. Prices both of food and of industrial goods not only ceased to rise but even fell somewhat, though wages continued to increase for some time. Available data do not permit a thorough analysis of this development. It is likely, however, that certain governmental anti-inflation-

[2] For an explanation of the coexistence of inflation and unemployment, see *Inflationary and Deflationary Tendencies 1946-48.*

ary measures were instrumental in reversing the earlier inflationary trend. The apparently large-scale hoarding of goods which occurred during the period of rapidly rising prices to mid-1947 seems to have been halted by credit restrictions and may even have been changed to dis-hoarding. There was also some reduction in the over-all Government deficit in relation to income. Since these changes occurred at a time when a large part of urgent post-war reconstruction needs had been satisfied, they may also have contributed to a reduction of private investment in plant and equipment.

Industrial production began to rise in the second quarter of 1948 partly under the influence of the rise in net exports. It fell again, however, at the beginning of 1949. Prices and wages remained roughly stable during the year.

Belgium. Derationing of food in Belgium, which had been initiated on a large scale in the second half of 1947, was completed in 1948. At the same time, subsidies were withdrawn and some allowances were given to the "economically weak". The index of retail prices advanced 17 per cent from July 1947 to April 1948, after which it remained fairly stable. It is likely that derationing led to a rise in the real income of farmers and intermediaries and to a decline in the real income of workers, despite the allowances granted to the lower income groups.

Unemployment rose considerably in the course of 1948. The ratio of complete and partial unemployment to the total insured labour force rose from a monthly average of 3.5 per cent in 1947 to an average of 6.5 per cent in 1948. In November 1948, the ratio was about 9 per cent, compared with about 3 per cent in November 1947.

The rise in the percentage of unemployment occurred although manufacturing production was above the levels of the preceding year. Building activity fell but the national product was probably slightly higher than in 1947. The rise in the percentage of unemployment must thus reflect the failure of output to keep pace with the increase in productivity and perhaps, to some extent, the increase in the labour force from 1947 to 1948. This may be illustrated by the changes in production and unemployment in industry. The index of manufacturing and mining production rose by about 5 per cent from November 1947 to November 1948. In the same period unemployment in this sector of the economy increased from about 2 per cent to about 6 per cent.[1]

The failure of output to keep pace with the rise in productivity and the labour force is attributable to the insufficiency of effective demand. Although the fall in the import surplus, as a result of the increase in exports, tended to increase effective demand, the decline in private and loan-financed public construction had an offsetting influence. The shift in the distribution of income from labour to other groups, which occurred as a result of the price increases prior to April 1948, may also have contributed to the weakening of effective demand for consumption goods and services. In March 1949, unemployment amounted to about 12 per cent of the total insured labour force.

United Kingdom. The ratio of net non-consumption payments to income in the United Kingdom in 1948 was about the same as in 1947, although substantial changes occurred in the components, as shown in table 21. There was a reduction in the import surplus, despite the granting of credits by the United States. In addition, private investment increased. The elimination of the budget deficit and the realization of a budget surplus, however, was a change of sufficient magnitude to offset the effects of both these factors.

Inflationary pressure upon controls was mitigated by a reduction in pent-up demand, owing

Table 21. Net Non-Consumption Payments: Ratio to Gross Private Income in the United Kingdom

1938, 1947 and 1948

Item	*1938*	*1947*	*1948*
Ratio to gross private income of:			
Gross private investment	11.8	18.3	20.1
Export surplus [a]	−1.3	−7.1	−1.3
Budget deficit [b]	4.5	5.1	−2.4
Of which gross public investment	3.4	4.6	4.5
Net non-consumption payments	15.0	16.3	16.4

Source: National Income and Expenditure of the United Kingdom, 1946-1948 (Cmd. 7649).

[a] Equals net foreign investment. Government unilateral transfers abroad are treated as an item in the balance of payments on current account.

[b] Based upon personal tax payments and corporate tax liabilities; excluding payments and receipts to and from private capital accounts.

[1] Data from Institut national de statistique, *Bulletin de Statistique.*

to the gradual saturation of such demand and the reduction of liquid assets of the mass of consumers. Although real income and consumption *per capita* were substantially unchanged, shortages of certain commodities were eased. These factors permitted the derationing of a number of consumption goods.

The index of consumer prices increased by about 7 per cent from 1947 to 1948, as a result of increases in import prices, indirect taxes, etc. The rise in wages was slightly less than the increase in consumer prices. The share of labour in gross private income after taxes also declined slightly, as shown in table 22.

Table 22. Distributive Shares of Gross Private Income after Taxes, in the United Kingdom

1938, 1947 and 1948

Item	*1938*	*1947*	*1948*
Total	100.0	100.0	100.0
Wages, pay and allowances of armed forces and transfer incomes	40.1	47.9	47.3
Of which, wages	33.3	36.4	38.0
Salaries	20.9	16.7	16.5
Rent, interest and profits [a]	39.0	35.4	36.2

Source: Cmd. 7371, Cmd. 7649.

[a] Including farmers' profits, professional earnings and depreciation; corporate income after taxes based upon tax liabilities.

Scandinavian countries and Netherlands. In the Scandinavian countries and the Netherlands, the ratios of net non-consumption payments to income seem to have risen in 1948 to some extent from the preceding year. The increases resulted from the reduction in import surpluses, which occurred despite grants and credits extended by the United States. The changes in the combined influence of private investment and budget deficits (or surpluses) were less uniform. In Norway and Sweden they largely offset, while in Denmark they even added somewhat to, the effect of the decline in the import surpluses.

Despite some increase in the ratio of net non-consumption payments to income, there does not seem to have been an increase in over-all inflationary pressure in any of these countries. On the contrary, the pressures appear to have been weaker in 1948 than in the preceding year. This is attributable mainly to the slackening of pent-up demand. In addition, there were small increases in real income and consumption as a result of increased production. There was also some easing of certain specific shortages, which was reflected in the derationing of a number of consumption goods in several countries.

The cost of living rose only slightly from 1947 to 1948, as table 23 indicates; wage increases during the same period roughly offset increases in the cost of living.

Table 23. Cost of Living: Indices for Scandinavian Countries and Netherlands

1947 and 1948

(1938 = 100)

Country	*1947*	*1948*
Denmark	163	166
Netherlands	197	203
Norway	159	159
Sweden	147	154

Source: Statistical Office of the United Nations.

The indices probably underestimate the rise of consumer prices over the pre-war level.

UNION OF SOVIET SOCIALIST REPUBLICS, POLAND AND CZECHOSLOVAKIA

The economies of the Union of Soviet Socialist Republics, Poland and Czechoslovakia have in common in the post-war period a system of socialist planning for the economic activity of the country; there still remain important sectors of individual ownership, however, in the economies of Poland and Czechoslovakia. There were also considerable differences among these three countries in both the supply position and the system of distribution for consumer goods. The Union of Soviet Socialist Republics and Poland had a much lower *per capita* supply of consumption goods than before the war as a result of war devastation. In Czechoslovakia, on the other hand, the standard of living was about the same as before the war.

There were also important differences in the changes in the supply position of these countries in the course of 1947. In the Union of Soviet Socialist Republics there was an improvement in supply of consumption goods, especially after the very favourable harvest in the fall of 1947. In Poland, after a reduction in supplies of food in the first half of 1947 following upon the termination of the United Nations Relief and Rehabilitation Administration, there was an improvement in the

second half of the year. In Czechoslovakia, there was a considerable deterioration in the supply position towards the end of 1947, resulting from a disastrous harvest. As a result of the developments in the Union of Soviet Socialist Republics, prices of unrationed supplies in the Government stores and in *kolkhoz* (agricultural co-operative) markets were falling throughout 1947. In Poland real wages fell in the first half of 1947, but began to rise in the second half. In Czechoslovakia the effects of the adverse harvest were not reflected until 1948.

Czechoslovakia had the most comprehensive system of rationing and price controls. In the Union of Soviet Socialist Republics, additional unrationed supplies were available at much higher prices in Government stores and in *kolkhoz* markets. In Poland, rationing was partial, both because only certain classes of the population, such as workers and Government officials, received rations, and because such rations, which were distributed at much below market prices, covered only a limited part of the total consumption of the commodities involved. In the second part of 1947, Poland introduced general price controls for non-rationed supplies, which roughly stabilized the average price level at that of market prices in the third quarter of 1947.

Both Poland and Czechoslovakia instituted currency reforms immediately after the war. These played an important role in mitigating inflationary pressures. In the Union of Soviet Socialist Republics, large savings accumulated during the war still existed in 1947 and permitted a part of the population to supplement spending from their current incomes. This made derationing more difficult.

Union of Soviet Socialist Republics

At the end of 1947, the Union of Soviet Socialist Republics introduced a monetary reform which was accompanied by derationing and the introduction of uniform prices. Under this reform, currency was exchanged at the rate of 1 to 10 and saving deposits, at rates of 1 to 1 up to 3,000 roubles, 2 to 3 from 3,000 to 10,000 roubles and 1 to 2 above 10,000 roubles.[1] Wages, salaries and official prices paid to *kolkhozes* remained unchanged. The new official food prices for bread, flour and pastry were reduced below the previous prices for rationed supplies; prices of meat, fish, sugar, salt, potatoes and vegetables were maintained at the same level; while prices of milk, eggs and fruit were increased above the previous level for rationed supplies. Prices of clothing and shoes were lowered to less than one-third of previous commercial prices. *Kolkhoz* free market prices also fell but remained higher than the official food prices. The average price level was substantially reduced.

As a result of this reduction in prices and of the preceding fall in prices during 1947, the average price level for consumption goods in the first quarter of 1948 was 30 per cent below that of the corresponding period of 1947.[2] This reduction was based on the considerable increase in supplies of industrial and agricultural consumption goods, which was noted above, and on the fact that the cancellation of liquid assets made significant dissaving by consumers impossible.

There were further reductions in the official prices of some items and in *kolkhoz* market prices in the course of 1948. They were followed by a major cut in prices at the beginning of March 1949, which was a little smaller than the first price reduction under the monetary reform.

Poland

In Poland the supply position in food and consumer goods continued to improve in 1948. Real monthly wages in industry rose by about one-third from the middle of 1947 to that of 1948 and reached a level comparable to prewar, as table 24 shows. The rise took the form

Table 24. Average Monthly Earnings and Cost of Living: Indices for Poland

June 1946, 1947 and 1948
(June 1946 = 100)

Period	*Average monthly earnings* [a]	*Cost of Living* [b]
June		
1946	100	100
1947	130	135
1948	173	134

Source: Statement of the Minister of Economic Affairs, December 1948.

[a] Earnings of industrial workers; adjusted for remuneration in kind and the difference between the value of rations at market prices and at prices actually paid for the rations.

[b] At market prices.

[1] Government bonds issued before 1947 were also converted into new securities, mostly at the rate of 1 to 3.

[2] *Voprosy Ekonomiki,* 1948, No. 2.

of an increase in money wages, while average prices, as mentioned above, remained fairly stable.

Although the system of price control, which had been introduced in the second half of 1947, was, in general, not subjected to intense pressure, there was some haphazard distribution as well as black market activity. This was especially marked in meat, fats and dairy products, whose supply lagged behind that of consumption goods in general. The food shortages became very acute in the third quarter of 1948 and gave rise to general speculative activity. Although, in general, these difficulties were later overcome, the shortage of meat, fats and dairy products remained fairly acute and the official prices of these items were substantially increased.

The system of partial rationing was gradually curtailed in the course of 1948 and was finally eliminated at the beginning of 1949. Recipients of rations were compensated, by increases in wages or by transfer payments, for the difference between the low ration price and the higher market price on items which were derationed.

Czechoslovakia

In Czechoslovakia the adverse harvest of 1947 led to a sharp cut in rations in December of that year. Rations were maintained at this low level in 1948 despite an increase in imports of food. The supply of industrial consumer goods was also adversely affected because of the need to increase industrial exports in order to pay for increased food imports. Moreover, the increase of investment in nationalized industries exerted additional inflationary pressure. Official prices remained essentially unchanged but a considerable black market developed, especially in food. Black market prices were four times higher than official prices in the middle of the year and five times higher in September 1948.

Beginning with October 1948, a system of dual prices was gradually established. Farmers were permitted to sell at free market prices surpluses of poultry, eggs and dairy products after fulfilment of prescribed delivery quotas. In addition, industrial consumer goods and some food items were made available without ration coupons at prices three to six times above prices for rationed supplies, while the difference between free market prices and ration prices was collected by the Government through a sales tax. In this way the Government siphoned off the profits which were formerly earned on the black market.

There was a considerable improvement in the 1948 harvest compared with that of 1947, as a result of which food rations were substantially increased at the end of 1948. In 1949 the prices for unrationed supplies were reduced.

UNITED STATES AND CANADA

The situation in 1947

In the United States and Canada in 1947, the combined pressure of private investment, the budget deficit and the export surplus, as measured by the ratio of their sum to private income, was significantly lower than in 1940.[1] The sum of private investment and the export surplus in relation to income was considerably higher than in 1940 but was more than offset by the change from a small budget deficit in 1940 to a large budget surplus in 1947. *Per capita* real income and consumption were considerably higher than in 1940; this tended to increase the proportion saved out of current income. Had it not been for a considerable pent-up demand backed by liquid savings, the situation might have resulted in an accumulation of inventories or in unemployment.

The spiral of prices and wages which developed in the United States and in Canada was the result of decontrol. In the United States this development began in the middle of 1946 and in Canada in the course of 1947. Decontrol resulted in a general increase in profit margins and in a shift of demand from unessential to essential non-durable goods in scarce supply, which led to a considerable increase of food prices. As a result, real hourly wages and also total real labour income (inclusive of Government transfers) were reduced, and this created a spiral of wages and prices.

Developments in United States in 1948 and early 1949

The United States export surplus (inclusive of Government grants to foreign countries) fell in relation to private income in 1948. The decline

[1] Although Canada was at war in 1940, the ratio of net non-consumption payments to private income, and even the components of the ratio, differed little from 1939.

was particularly sharp from the second half of 1947 through the first half of 1948 but continued in the latter half of the year, even though the dollar shortage of western European countries was alleviated by credits. The budget surplus (exclusive of Government grants to foreign countries) declined in relation to income, however, especially in the second half of the year, as a result of an increase in Government civilian and military expenditures and a reduction in personal taxation. Private investment in plant and equipment rose in relation to private income in the first half of the year and remained at the higher level for the remainder of the year. In addition, the accumulation of inventories increased, especially in the first half of the year. The net result of these changes was an increase in the ratio of net non-consumption payments in relation to private income, especially in the latter half of the year, as table 25 indicates.

Table 25. Net Non-Consumption Payments: Ratio to Gross Private Income [a] in the United States

1940, 1947 and 1948

Item	1940	1947	1948	
			First half	Second half
Ratio to gross private income of:				
Gross domestic private investment	14.9	15.8	18.5	19.0
Export surplus [b]	1.7	5.7	3.2	2.3
Budget deficit less Government unilateral transfers	0.6	−8.5	−6.9	−4.1
Net non-consumption payments	17.3	13.0	14.7	17.2

Source: United States Department of Commerce, *Survey of Current Business.*

[a] Gross private income has been calculated as the sum of net non-consumption payments and consumer expenditure on goods and services.

[b] Equals net foreign investment plus Government unilateral transfers abroad.

The rise in the ratio of net non-consumption payments to private income was, however, largely offset by a reduction in the proportion of disposable income of individuals which was consumed. This change, which occurred without any significant shift in the distribution of disposable income, was due to the saturation of pent-up demand and to the exhaustion of holdings of accumulated liquid assets by lower income groups.

In the second half of 1948 there was an increase in real private income associated with an improvement in the supply both of food and of raw materials for the manufacture of consumption goods. This factor was reflected in some decline in wholesale prices in the course of the second half of the year. Prices of farm products fell nearly 10 per cent by December 1948 from their peak six months earlier, and wholesale food prices fell by roughly the same percentage from their August peak.[1] The cost of living also fell slightly at the end of the year, especially in the food sector. These developments were largely the result of the favourable harvest, especially of feed grains, the full effect of which, however, could not be felt until 1949. The improved supply position resulted in a small rise in total real labour income, after allowance for reduction in personal taxation, as well as in real hourly wages in manufacturing, as indicated in table 26.

Table 26. Wages and Prices: Indices for the United States

1946, 1947 and 1948

(First half of 1947 = 100)

Item	1946 First half [a]	1947	1948	
			First half	Second half
Wages, salaries and government transfers (before taxes) [b]	91.8	102.7	108.9 [c]	111.3 [c]
Average hourly earnings in manufacturing industries [d]	87.7	102.8	109.0	114.4
Consumer prices [d]	84.3	102.4	108.8	111.5
Food prices [d]	75.8	103.7	111.4	113.5
Non-food prices	90.3	101.6	107.0	110.2

Source: United States Department of Commerce, *Survey of Current Business.*

[a] Before decontrol.

[b] Also before payment of employee contributions to social insurance; data are seasonally adjusted.

[c] To render the data comparable on an after-tax basis, allowance would have to be made for the reduction in tax rates in 1948. The index for the first half of 1948 would then be raised to about 109.5 and that for the second half of 1948 to about 113.5.

[d] Seasonally unadjusted.

Employment was at a high level throughout 1948. One of the elements in the high level of output and employment, however, was the increase in the accumulation of inventories. The accumulation was, at least in part, of an involun-

[1] United States Department of Commerce, *Survey of Current Business.*

tary character and could not therefore continue indefinitely at the same rate. At the beginning of 1949 there was a decline in the rate of inventory accumulation, coupled with a reduction of investment in fixed capital, especially in residential building. This factor, together with its repercussions on income and consumption, appears to have been the major cause of the slackening in economic activity and the rise in unemployment shown in table 27.

Developments in Canada in 1948 and early 1949

The full effect of decontrol in Canada was not felt until 1948. The cost of living in 1948 was 25 per cent above the average of 1946. Food prices were nearly 40 per cent above the 1946 average. Although money wage rates also increased, total real labour income in 1948, inclusive of Government transfer payments, was 6 per cent below 1946.

Table 27. Employment and Unemployment: Numbers in the United States

1940, 1947, 1948 and 1949 (first quarter)

(In millions) [a]

Period	Total labour force, including armed forces	Armed forces	Civilian employment			Unemployment
			Total	Non agricultural	Agricultural	
1940	56.0	0.4	47.5	38.0	9.5	8.1
1947	61.6	1.4	58.0	49.8	8.3	2.1
1948 (quarters)						
First	60.8	1.2	57.2	50.3	6.9	2.4
Second	62.7	1.2	59.4	51.2	8.2	2.1
Third	64.3	1.3	61.0	52.3	8.8	2.0
Fourth	63.0	1.4	59.8	51.8	8.0	1.8
1949						
First quarter	61.9	1.5	57.4	50.4	7.1	3.0

Source: Economic Report of the President, January 1949; United States Department of Commerce, *Survey of Current Business.*

[a] Not seasonally adjusted.

The ratio of net non-consumption payments to private income increased in 1948; the changes in the components are given in table 28. However, the fall in the proportion of disposable income of individuals [1] which is consumed, resulting primarily from the decline in pent-up demand, exerted an offsetting influence on inflationary pressures.

Table 28. Net Non-Consumption Payments: Ratio to Gross Private Income in Canada

1940, 1947 and 1948

Item	1940	1947	1948
Ratio to gross private income of:			
Gross home investment	19.1	26.1	24.1
Export surplus [a]	3.2	.5	3.4
Budget deficit less Government unilateral transfers	1.1	−7.6	−6.7
Residual error of estimate	−0.5	0.7	1.3
Net non-consumption payments	22.9	19.7	22.0

Source: Dominion Bureau of Statistics, *National Accounts, Income and Expenditure, 1938-47 and 1947-48.*

[a] Equals net foreign investment plus Government unilateral transfers.

At the end of 1948 the increase in supplies of consumption goods, especially of food, resulted in some increase in real wages. The cost of living remained fairly stable after the middle of the year, while money wage rates rose.

AUSTRALIA

Australia had, until recently, a system of controls which included rationing of a rather limited range of commodities and price controls for other commodities in scarce supply.

The ratio of net-consumption payments to income in 1947[2] was above the level of 1940, as shown in table 29, because the increase in gross domestic investment was only partially offset by a change from a budget deficit in the former year to a budget surplus in the latter. This factor, to-

[1] The retroactive payments on past crops made to farmers by the Wheat Board may also have contributed somewhat to higher savings out of disposable income.

[2] Australian statistics generally represent years ended 30 June.

gether with the existence of pent-up demand, accounted for the over-all inflationary pressures in Australia. Unlike the situation in most of the European controlled economies, the pressure was somewhat mitigated by the increase in real income and consumption above the pre-war level.[1] It should be noted, however, that certain food items were scarce in relation to income and thus had to be rationed.

As a result of price control, rationing and subsidies, the share of labour, inclusive of transfer payments, in gross private income before taxes was higher than before the war. The inflationary pressures were manifest in some haphazard distribution of non-rationed items subject to price controls.

Table 29. Net Non-Consumption Payments: Ratio to Gross Private Income in Australia 1940, 1947 and 1948 [a]

Item	*1940*	*1947*	*1948*
Ratio to gross private income of:			
Gross home investment	17.6	25.7	22.9
Export surplus [b]	−2.9	−3.2 [c]	1.0
Budget deficit	4.5	−0.2	−2.1
Net non-consumption payments	19.1	22.3	21.8

Source: Commonwealth of Australia, *National Income and Expenditure 1947-48.*

[a] Years ended 30 June.

[b] Equals net foreign investment. Government unilateral transfers abroad are treated as an item in the balance of payments on current account.

[c] If net Government expenditures abroad are excluded from the import side of the account, the balance becomes positive.

In the fiscal year ended 30 June 1948, the ratio of net non-consumption payments to private income appears to have been about the same as in 1947. There was a decline in private investment in relation to private income, which was roughly offset by the changes in the other items.

The inflationary pressure appears to have been reduced, however, as a result of an increase in real income, which reduced the proportion that tended to be consumed. Both real private income and consumption rose by about 12 per cent, owing to increased production of food and industrial consumer goods and to an improvement in the terms of trade.

From 1947 to 1948 the cost of living index rose by about 6 per cent as a result of such factors as increases in import prices and in prices paid to farmers. The money income of labour rose about 14 per cent, so that real labour income rose by 8 per cent, or less than the rise in total private income. The relative share of farmers in private income increased by more than the decline of labour's share. The gain by farmers resulted to a large extent from the increase in export prices.

In September 1948, federal rationing, except for butter, tea and petrol, and many price controls, were abolished, while remaining price controls on essential items were turned over to the states. By the first quarter of 1949 the cost of living index had increased about 4 per cent.

LATIN AMERICA

In 1946, the ratio of net non-consumption payments to private income was generally above the pre-war level in Latin America. In a number of countries, such as Argentina, Brazil, Cuba and Venezuela, export surpluses on trade account were increased in relation to income. Deficits in ordinary budgets were much higher than before the war, for example, in Argentina, Brazil, Bolivia, Colombia and Venezuela. In addition, most of the countries made considerable expenditures on public investment projects. These expenditures, which did not enter into the regular budgets, were financed to a large extent by borrowing. Taking into account these "extraordinary" expenditures, effective budget deficits were much higher than pre-war in practically all Latin American countries. The level of private investment was also generally higher, particularly in the field of residential building.

With the exception of Argentina, and probably of Colombia and Mexico, it appears that *per capita* private real income and consumption did not materially improve over the pre-war level.

The rise in net non-consumption payments in relation to income, coupled in most instances with the failure of real private income *per capita* to rise materially, resulted in inflationary pressures which tended to increase profits and, with some exceptions, also to reduce real wages.

[1] In 1947 money income and consumption *per capita*, deflated by the cost of living index, were 13 and 8 per cent, respectively, above the pre-war level. The index of the cost of living, however, may not be fully representative of the changes in prices of goods and services included in consumer expenditures, especially over a long period of time.

In 1947, important changes occurred in the nature of the inflationary pressures. In most countries, export surpluses on trade account were reduced or were even converted into import surpluses. Ordinary budget deficits were generally smaller than in 1946, mainly as a result of increased revenue.[1] The residential construction boom also subsided in many countries.

On the other hand, in a number of countries there was a considerable increase in domestic investment by private business and government. This investment was in part covered by growing imports of capital goods. In addition, the realization of the pent-up demand of upper income groups was made possible by imports of non-essential commodities.

On balance, the inflationary pressure in most instances does not appear to have changed significantly from 1946 to 1947. The change from export to import surpluses was largely accounted for by imports of investment goods and by the realization of pent-up demand for unessential consumption goods. The effect of the reduction in ordinary budget deficits and of the slackening in residential building was offset by the increase in home-produced investment by business and government.

The supply of food improved somewhat in 1947, mainly as a result of better crops, and mitigated inflationary pressures to some extent. While prices generally continued to rise throughout 1947, the rate of increase was in many instances lower than in the preceding year. Money wages likewise rose and in some instances real wages are known to have increased.

The changes in the balance of trade of Latin American countries, which occurred from 1946 to 1947, were in large part reversed in 1948. Owing to foreign exchange difficulties, restrictions were generally imposed on imports of unessential goods. Accordingly, the import surpluses on trade account of the preceding year generally disappeared or were even converted into small export surpluses. As the increase of imports of unessential goods in 1947 did not significantly reduce the inflationary pressure, so the reduction of these imports in 1948 did not materially add to inflationary pressures. The decline in private residential construction continued but appears again to have been offset by an increase in loan-financed government investment.

The supply of food generally increased because of the favourable harvest of 1947/48 and because of the increased import of food by a number of food deficit countries, e.g., Bolivia, Cuba, Peru and Venezuela. The supply of other consumer goods, especially textiles, also showed an improvement over 1947.

The net effect of these changes appears to have been to relax inflationary pressures somewhat in most countries of Latin America in 1948. While prices and wages continued to increase, the rate of advance in a number of countries has shown a tendency to slacken. Changes in cost of living indices for several Latin American countries are shown in table 45 in part II of this report.

INDIA[2]

In India an inflationary factor in 1947 was the pressure of the relatively high budget deficit, incurred mainly for public investment, and of a higher volume of private investment. The changes in the balance of payments on current account do not seem to have been a significant factor.

Perhaps even more important was the reduction in real private income *per capita*. Production of both food and of cotton textiles declined, but the population in the meantime had increased. *Per capita* food consumption in terms of calories fell nearly 15 per cent below the extremely low 1934-38 levels.

During 1947, the war-time system of price control of basic consumption goods, supplemented by partial rationing of food grains, sugar and textiles, was maintained. Rationing of food grains, which were procured by the Government in surplus areas at fixed prices or imported from abroad, was applied to the urban population and to rural food deficit areas; rationing of textiles and sugar was largely limited to urban centres. The rationing mechanism apparently operated with some effectiveness only in the large cities. Generally, a substantial portion of consumption was satisfied outside official supply channels at black market prices.

Since rationing was partial and prices of rationed

[1] In Argentina, government profits from agricultural exports provided substantial extra-budgetary revenue.

[2] The data cited here for India after partition generally exclude Pakistan. Since all figures are given either on a *per capita* basis or on a ratio basis they are probably fairly comparable with those relating to the period prior to partition, which include Pakistan.

supplies were not very low in relation to black market prices, there was a considerable deterioration in real wages and a relative shift to profits in the distribution of income as a result of the inflationary pressures described above. The fall in real wages was especially severe for plantation workers and general agricultural labour, which account for an overwhelming majority of India's working population.

In 1948, total construction activity appeared to have increased somewhat, but the emergence of a significant budget surplus on current account was an offsetting factor with respect to inflationary pressure. The position with regard to the *per capita* supply of food was on the whole unchanged, and the supply of textiles available for consumption, after allowing for a substantial increase in inventories, did not improve materially over 1947.

At the end of 1947, the Government embarked upon a programme for the reduction of the scope of rationing and price control. Rationing of food grains was restricted to large urban areas, and Government procurement of grain was accordingly reduced. Rationing and price control of sugar and textiles were entirely eliminated. Following decontrol, there was an immediate rise in food grain prices, which gained in intensity throughout 1948. The Government also increased its procurement prices and accordingly raised retail prices of rationed supplies. Prices of other decontrolled consumption goods, particularly of cloth, likewise rose sharply above former official ceilings.

As a result of the price increases, the Government reinstated controls on food and cotton textiles in the second half of 1948. Rationing of food was gradually reintroduced on a limited scale in rural districts of deficit areas. Rationing of cotton cloth was not reintroduced, but price ceilings were imposed on the basis of the higher price level which had been reached after decontrol. An attempt was made to ensure the effectiveness of price ceilings by control of stocks and of distribution of finished cloth in trade channels.

The cost of living index in Bombay, which is based largely on controlled items, rose 15 per cent in the course of 1948, while the index of food prices rose 9 per cent.

[1] The analysis of China relates to Government-held territory.

Throughout the period considered there was some visible unemployment in addition to the chronic disguised unemployment, as a result mainly of demobilization and cessation of work in war industries.

CHINA[1]

The Chinese inflation which began during the war with Japan had already developed into hyper-inflation before the end of the Second World War. The fundamental factor in hyper-inflation is that a general expectation of a continuing inflationary spiral in prices develops as a result of rapid inflation over a long period of time. This expectation leads to a general reluctance to hold money, except the minimum necessary for transaction purposes. As a result, all incomes tend to be spent on consumption, investment or hoarding of goods in the course of a short "spending period". In the absence of any tendency to accumulate cash beyond the needs for current transactions, every fresh addition to the money supply is bound to raise prices at a rate at which the resulting increase in the demand for money for transaction purposes will be sufficient to absorb the increase in money.

One factor sustaining hyper-inflation in 1947 was the existence of large budget deficits associated with the civil war and financed by issue of money or bank credit. Another was the expansion of bank credit to private business at relatively low rates of interest, which seems to have been used largely for hoarding of commodities. The increase in the total supply of money in 1947 amounted to about 110 per cent of total Government expenditure.[2]

During 1947, wholesale prices in Shanghai rose about fifteen times, or more than twice as much as the money supply, due to an increase in the velocity of circulation or, in other words, to the shortening of the "spending period", which itself resulted from the persistent and extremely rapid increase in prices. Thus the rise in the velocity of circulation and the price increase tended to reinforce each other.

Acceleration of the hyper-inflationary process continued until monetary reform in August 1948. Prices in Shanghai rose fifty-six times from

[2] Estimate derived from data of Ministry of Finance of China, Central Bank of China and International Monetary Fund.

December 1947 to August 1948, compared with an increase of about fifteen times during the entire year 1947. The money supply increased only twenty times from December 1947 to August 1948, so that the velocity of circulation again increased considerably. In this period the black market price of United States currency increased eighty-three times, or considerably more than commodity prices.

In August a currency reform was instituted to curb hyper-inflation. It provided for exchanging old Chinese dollars into new gold yuan at the rate of three million to one. To secure "hard backing" for the new currency, the Government required that all holdings of gold, silver and foreign currency be surrendered in exchange for the new gold yuan, valued at the rate of four gold yuan to one United States dollar.[1] The amount of new currency issued at the end of September 1948 in exchange for the latter assets was twelve times as large as that issued in exchange for the old Chinese dollar. The currency issue resulting from this transaction, together with the additional currency issued to finance the budget deficit—the latter amounting by the end of September 1948 to four and one-half times that issued in exchange for the old dollar—was considerably higher than requirements for transactions at prevailing prices in the new currency. After a short interval, the new currency was invested in the hoarding of commodities and hyper-inflation developed again, as shown in table 30, forcing a breakdown of the price controls which had been introduced under the monetary reform.

Towards the end of November 1948 the Government attempted to intervene by permitting the conversion of gold yuan into gold bullion and silver dollars. This represented a partial reversal of the policy of gold and dollar purchases which had been adopted under the currency reform. The attempt failed, however, because of the very great demand for gold. At the end of December the conversion of currency into gold or silver was suspended.

Table 30. Wholesale Prices; Indices for Shanghai

September—December 1948 [a]

(September 1948 = 100)

1948	*Index*
September	100
October	112
November	1,292
December	1,819

Source: Central Bank of China.
[a] After the monetary reform.

Conclusion

The latter part of 1948 and the beginning of 1949 appear to represent a turning point in post-war inflationary developments. This period was characterized (*a*) by the fall in prices, especially of food, in some important countries; (*b*) by many instances of partial derationing and decontrol as a result of the easing of specific shortages; and (*c*) by an increase in unemployment in a number of countries. One factor underlying these developments has been the increase in the supply of consumption goods, especially food. Another has been the reduction of pent-up demand, which occurred both because of the satura-

[1] This means that one United States dollar was valued at 12 million old Chinese dollars, which corresponded to the black market rate for the United States dollar at the time of the reform.

Table 31. International Payments: Balances on Current Account in Certain Areas

1947 and 1948

(Surpluses or deficits in millions of United States dollars) [a]

Area	*1947*	*1948*
United States, Canada, Australia [b]	10,700	6,300
United States	10,700	5,700
Europe	—7,200	—5,200

Source: International Monetary Fund. Private remittances are included in current account. Government unilateral transfers made by the United States and Canada to foreign countries are included with net foreign investment in the export surplus.

[a] Deficits indicated by minus signs.

[b] Australian figures refer to fiscal years ended 30 June 1947 and 1948. In 1947 Australia had an import surplus.

tion of such demand and the exhaustion of accumulated liquid assets by the mass of consumers. In some countries, private investment also slackened noticeably, especially in residential construction.

Another important recent development bearing on inflationary pressures relates to international balances of payments. In 1948, there was a considerable reduction, compared with 1947, of the export surplus of the United States and of the import surpluses of a number of European importing countries, as shown in table 31. This tended to reduce effective demand in the United States and to increase it in the net importing countries affected. An offsetting development, however, was a fall in the budget surplus in the United States, and a decline in the budget deficits, or a shift from budget deficit to budget surplus, in the net importing countries.

Chapter 3

INTERNATIONAL TRADE AND FINANCE

The Movement of World Trade

World trade has continued to expand since the middle of 1947, though at a slower rate than before that time. For the year 1948 as a whole, the quantum of trade exceeded that of 1947 by about 4 per cent.[1] In the last quarter of 1948, the quantum was only 2 per cent below the average quarterly level of 1937, as table 32 shows. Since trade normally undergoes a seasonal expansion in the last quarter of each year, it was not as close to the 1937 level as this comparison may suggest. Undoubtedly, however, the somewhat lower level of 1938 was exceeded. The average unit values of trade, which may not accurately reflect the movement of the prices of goods entering into trade, fell slightly in the first quarter of 1948 but subsequently continued to increase throughout the year. To some extent this increase may reflect the rise in the share in world exports of "soft-currency" countries, in which, on the average, the level of export prices is higher than in "hard-currency" countries.

The general indices for world trade conceal large differences in the movement of trade of particular countries. Exports of the majority of countries were growing in the course of 1947 and 1948. Those of certain countries, such as Germany, that had fallen to a very low level during and immediately after the war were indeed expanding very rapidly during 1948 though still remaining far below the pre-war level. Conversely, United States exports, which have risen more since the 1930's than those of any other important trading country, tended to decline, absolutely and relatively, from the early part of 1947 till late in 1948, as shown in chart 7.

Table 32. Exports: Value, Quantum and Unit Dollar Value, for World

1937, 1938, 1946, 1947 and 1948

Period	*Value (In millions of United States dollars)*	*Quantum index*	*Unit dollar value (price) index*
Annual total			
1937	26,010	100	100
1938	22,600	93	94
1946	32,900	74	171
1947	48,620	91	204
1948 [a]	54,200	95	220
Quarterly averages			
1946:			
First half	7,270	70	159
Second half	9,180	78	182
1947:			
First half	11,650	91	196
Third quarter	12,020	90	206
Fourth quarter	13,140	93	216
1948 [a]:			
First quarter	12,600	91	213
Second quarter	13,800	97	218
Third quarter	13,400	93	223
Fourth quarter	14,400	98	225

Source: Statistical Office of the United Nations.
[a] 1948 figures partly estimated.

Table 32 should be read in conjunction with table 33, which shows annual figures for the exports of the world excluding those of the United States. While the quantum of world exports in 1948 was very close to the pre-war level, that of the world, excluding the United States, was a fifth below that in 1937. To a considerable extent this decline is due to the continued lag in the exports

[1] Provisional information published in United Nations Department of Economic Affairs, *Major Economic Changes in 1948* (Lake Success, N. Y., January 1948) had pointed to a levelling off of the quantum of world trade from the middle of 1947.

World exports have been chosen to represent world trade, since for several countries the import figures after the war are misleading.

The year 1937 is not typical of trade in the 1930's, since international trade was more active in that year than in those which preceded or succeeded it. In 1938, trade was at approximately the same quantitative level as in 1947 and 1948.

Secondly, in a situation when currencies are not freely convertible, figures computed for the world's trade cannot be regarded as very exact. In the 1930's and, to a much greater extent, in the post-war period, the prices charged in different export markets for corresponding products differed when converted into a common currency at prevailing exchange rates. The aggregate values and unit values are thus little more than rough approximations. The quantum indices are likely to be more reliable but they fail to reflect changes in the average quality, or degree of processing, of goods belonging to each statistical item. There are indications that pronounced changes of this kind have taken place in certain countries since 1937—the base year used—but the evidence as to the general trend of the changes is not conclusive.

Chart 7. Post-war Movement of World Exports

(Quantum, 1937 = 100)

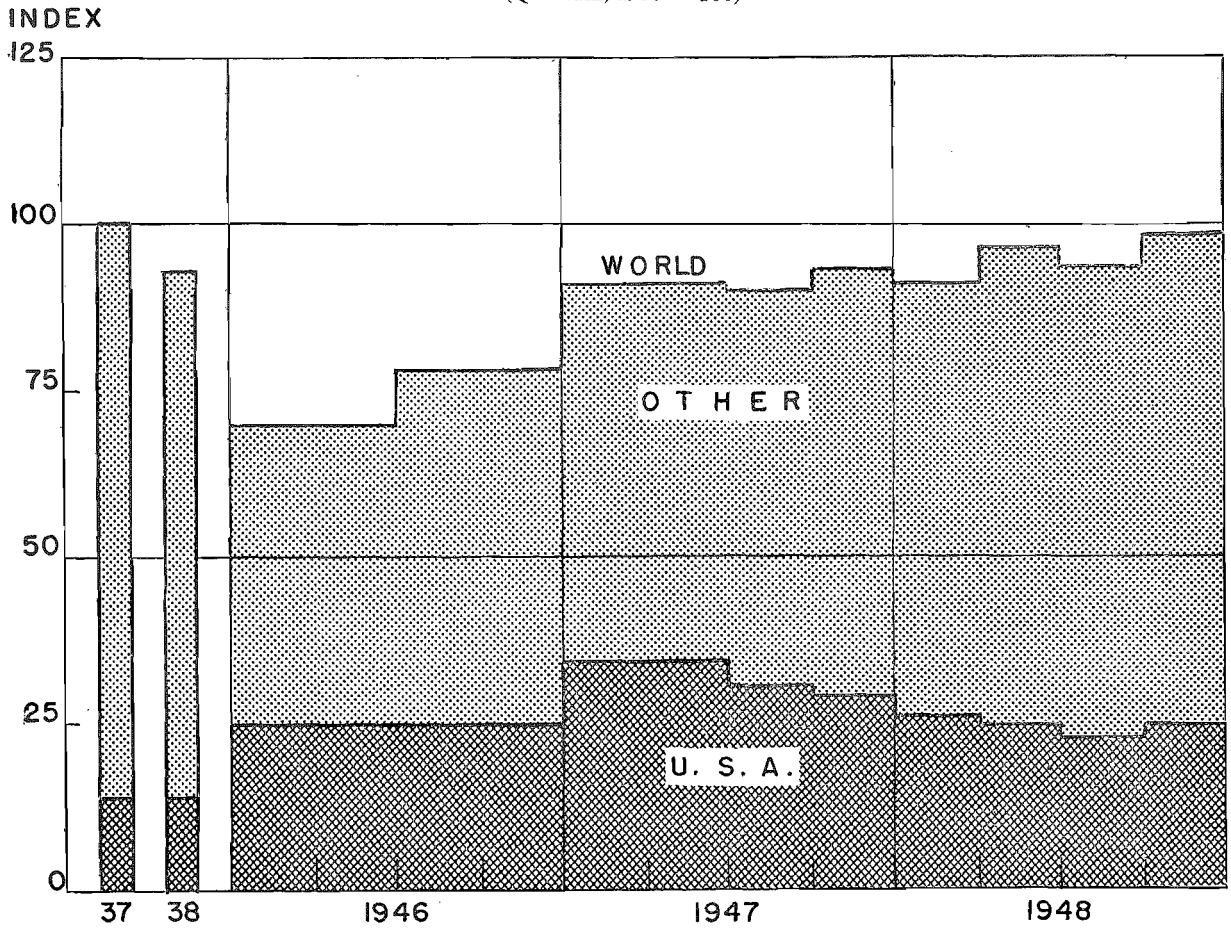


Table 33. Exports of World, Excluding United States: Value, Quantum and Unit Dollar Value

1937, 1938, 1946, 1947 and 1948

Year	Value (In millions of United States dollars)	Dollar value index	Quantum index	Unit dollar value (price) index
1937.....	22,710	100	100	100
1938.....	19,540	86	92	94
1946.....	23,400	103	57	180
1947.....	33,310	147	68	216
1948.....	41,710	184	80	230

Source: Statistical Office of the United Nations.

of Germany and Japan and of a number of countries in the Far East, the economic rehabilitation of which has been hampered by internal strife. The dollar values of the exports of Germany and Japan, which together in 1937 exceeded that of the United States, were in 1948 only about 37 and 13 per cent, respectively, of what they had been in 1937. The approximate quantum of the exports of the world, exclusive of Germany and Japan as well as of the United States, was in 1948 approximately 92 per cent of the 1937 level.

Certain of the differences in trade movements among countries may be seen from the quantum indices for imports and exports in table 34. The quantum of the imports, in relation to 1937, of the United Kingdom as well as the United States has recently lagged far behind that of exports. The United States export quantum, in spite of the decline referred to, was twice the 1937 level in the last quarter of 1948. Australian and Swiss exports have also been at a relatively high level. On the other hand, the export indices for Austria, Bulgaria, Ireland, Hungary, Norway and Sweden in 1948 were well below pre-war levels.

Table 34. Merchandise Trade: National Quantum Indices for Certain Countries
1938, 1946, 1947 and 1948
(Special trade; 1937 = 100, except where otherwise indicated)

Country	1938	1946	1947 quarters				1948 quarters			
			First	Second	Third	Fourth	First	Second	Third	Fourth
United Kingdom:										
Imports	95	65	64	74	84	74	77	77	78	76
Exports	88	88	89	90	101	105	111	119	122	130
United States:										
Imports	72	100	100	94	89	101	111	103	105	113
Exports	100	191	261	277	241	231	204	201	183	200
France: [a]										
Imports	100	112	110	143	112	102	88 [b]	111 [c]	105	108
Exports	100	43	75	91	80	84	69 [b]	107 [c]	94	106
Netherlands: [a]										
Imports	100	60	69	84	82	88	. .	. .	. .	. .
Exports	100	27	41	49	54	73	. .	. .	. .	. .
India: [d e]										
Imports	93	75	81	92	92	83	85	86	78	82
Exports	96	65	66	64	61	72	62	57	55	57
Australia: [d f]										
Imports	117	82	83	80	115	108	117	127	136	128
Exports	108	104	104	108	83	104	118	118	110	127
Sweden:										
Imports	99	95	101	126	147	119	102	117	110	100
Exports	86	57	41	59	75	76	51	69	72	81
Argentina:										
Imports	94	77	113	125	157	189	150	147 [g]	. .	. .
Exports	64	55	46	52	55	76	73	64 [g]	. .	. .
Switzerland: [a]										
Imports	100	105	127	150	143	168	165	158	128	135
Exports	100	101	108	115	111	126	106	124	121	152
Czechoslovakia:										
Imports	. .	35	55	82	82	88	111	102	90	83
Exports	. .	26	41	58	51	74	64	76	69	91
Norway:										
Imports	92	72	108	125	104	97	75	90	88	117
Exports	95	58	67	90	75	77	79	84	69	78
Poland: [a h]										
Imports	100	159	94	173	124	124	145	150	123	129 [g]
Exports	100	38	34	59	65	63	76	91	104	110 [g]
Austria:										
Imports	. .	. .	13	23	29	32	36	44	51	56
Exports	. .	. .	16	26	30	44	39	51	58	65
Ireland: [d]										
Imports	96	78	88	112	135	141	132	131	101	121 [g]
Exports	93	68	48	58	73	79	57	53	70	80
Hungary:										
Imports	84	14	36	40	46	53	57	52	50	51
Exports	89	13	19	25	22	28	31	32	28	61
Cuba: [a d]										
Imports	. .	112	124	125	128	200	. .	. .	. .	. .
Exports	. .	131	124	185	198	143	. .	. .	. .	. .
Turkey:										
Imports	129	72	88	127	175	137	130	120	160	157
Exports	115	89	139	102	72	95	81	80	68	201
Ceylon: [a]										
Imports	. .	87	. .	. .	. .	. .	. .	. .	. .	. .
Exports	103	127	. .	. .	. .	. .	132	124	131	131
Indochina: [a]										
Imports	100	37	. .	. .	. .	. .	84	122	120	132 [g]
Exports	100	53	. .	. .	. .	. .	35	34	48	36 [g]
Bulgaria: [a]										
Imports	. .	58	43	57	102	82	89	. .	. .	. .
Exports	. .	34	29	43	53	66	70	. .	. .	. .
Tanganyika: [a]										
Imports	97	100	. .	. .	. .	. .	. .	. .	. .	. .
Exports	106	105	104	87	98	98	108	. .	. .	. .

Source: Statistical Office of the United Nations. Countries in order of magnitude of pre-war trade.

[a] Base period other than 1937: France, Netherlands, Switzerland, Poland, Indochina, 1938; Cuba, 1935-39; Bulgaria, 1939; Ceylon, 1934-38; and Tanganyika, 1935-38.

[b] From 1938, new series.

[c] Including the Saar.

[d] The indices for India, Australia and Cuba, and the import indices for Ireland, refer to general trade.

[e] Annual averages are for years beginning April of the year stated; excluding Pakistan from August 1947, inclusive.

[f] Annual averages are for years ending June of year stated.

[g] October and November only.

[h] Including imports of the United Nations Relief and Rehabilitation Administration.

Changes in International Commercial Relations since the 1920's

When comparing present international commercial and financial relations with those existing before the war, two facts must be taken into account. In the years immediately preceding the war, and indeed during the entire 1930's, most countries applied exchange controls and various direct restrictions on their foreign trade in order to balance their foreign transactions; commercial warfare was raging and normal international capital operations were largely absent. Secondly, though some of the most violent disturbances caused by the war have come to an end, international business transactions are even at the present time subject to a large variety of restrictions and to rapid change.

When countries are able to sell their products freely in the markets offering the highest prices and buy in the markets where prices are lowest, trade between any two countries is unlikely to balance out exactly; the majority of countries will have export surpluses with some countries available for financing import balances with others. If country B has an export surplus with country A to finance an import surplus with C, the last-mentioned country has its export surplus with B to finance an import surplus with D, and so on until the circle is closed. In other words, free convertibility of currencies is a necessary complement to unrestricted multilateral trade. Since, moreover, the international transfer of dividends and debt service payments usually takes place through multilateral trade, convertibility of currencies is a prerequisite for an extensive flow of private capital from countries in which capital is relatively abundant to countries in which it is relatively scarce. In the middle 1920's, when multilateral trade last functioned on an almost world-wide scale, there was an annual movement of about $2,000 million of such capital that helped to settle international accounts. Though imports and exports of any two countries naturally offset each other to a considerable extent in their mutual trade, about a third of all trade in the middle 1920's represented bilateral trade balances which dovetailed to form a world-wide network of trade.

The pattern of bilateral trade balances was subject only to minor changes from one year to another. The majority of the under-developed countries, particularly those in the tropical belt, had large export surpluses to the countries more advanced economically and particularly to the United States; the United States financed its import balance from the tropics by an export surplus to Europe and to a number of semi-developed countries elsewhere. The latter countries had, in turn, a net export to Europe. Within Europe, Germany was one of the chief net importers from other continents, balancing its account by an export surplus to other countries in continental Europe, which in turn had an export surplus to the United Kingdom. The United Kingdom balanced its large net imports from the majority of countries in part with a net export to tropical countries. Naturally, balances on account of items other than merchandise trade also entered into this settlement of payments.

This reminder of world trade as it functioned twenty years ago has not been made with a view to suggesting that a return to the trade relationships of that time is possible or desirable. In many countries, particularly in the tropical belt, only a fringe of the national economies was substantially affected by the international division of labour and its counterpart of modern trade, and, for the most part, these countries remained behind in economic development; this is perhaps the chief limitation of trade as it functioned in the 1920's as well as during the one or two decades preceding the First World War.

Today, a large proportion of the flow of essential goods to many countries takes place only because it is financed by inter-governmental grants and loans and by the depletion of monetary reserves. But these movements of funds are not enough to stem the disequilibrating forces. Many countries experience great difficulties in balancing their international accounts and have to apply rigid exchange controls and restrictions on imports.

The most obvious changes in international business relations in the course of the past twenty years are those caused directly by the war. These are reflected in the widespread damage in certain countries to capital installations, the exhaustion of stocks of goods, the heavy liquidation of foreign assets or of foreign debts and the lack of normal economic expansion over a number of years. At the same time, populations have continued to

grow, and the financing of war expenditure or of reconstruction has tended to cause inflation and thus to affect the distribution of wealth and income. To a large extent the physical damage wrought by the war has been repaired, but the tasks facing countries in adjusting their trade to the new situation are far from accomplished.

One such task involves adjustment to trends which were well under way before the war. Modern techniques of production had spread to many of the under-developed countries where industries, based on domestic resources and a domestic market for products not entering into external trade, have been growing. The depression of the early 1930's had greatly reduced the prices of primary goods and thus tended to render unprofitable the production for export of certain such goods from under-developed countries just when the time seemed ripe for an increase in the rate of their industrial development. The financing of economic development was checked by both domestic depression and the almost complete discontinuation of the inflow of capital from abroad that resulted from the collapse of trade and the hindrance to multilateral transfers of the return on capital. The curtailment of normal imports and the heavy foreign demand during the war gave further impetus to production in the under-developed countries, at the same time, however, as their development was hampered in some cases by war devastation and difficulties of importing capital goods.

The liquidation of external debt which many of these countries could undertake during the war and the external capital assets which they were able to accumulate radically improved their external payments position, at least as it appeared at the end of the war. In some cases, the improvement in the payments position of under-developed countries has proved illusory, but the urge for continued rapid development in these countries has become so strong that it must be reckoned with as one of the principal factors in determining the orientation of international trade in the future. Naturally, economic expansion in under-developed countries will require adjustments elsewhere. These adjustments are likely to prove difficult for some time, particularly in western Europe, where they will have to be superimposed on others necessitated by a decade and a half of economic depression and devastating war. But trade arising from economic development should prove beneficial to all the parties concerned and should eventually help Europe to overcome its trading difficulties rather than increase them.

It is possible that in the adjustment process the growth of foreign trade will lag behind that of world production as it had done for some time; that countries will become increasingly diversified in their production and accordingly more self-sufficient; and that the tendency towards bilateralism in international transactions will continue. But conditions of production in different countries are such that these tendencies will be limited in scope. Countries will continue to depend on each other; a considerable degree of international specialization is an inescapable consequence of geographical, climatic and other conditions not subject to change. The changes in trade that will occur, therefore, will not remove the essential need for a functioning international economy.

Under-developed Countries

The reduction in the external financial liabilities of certain under-developed countries since the 1930's might have been expected to bring a substantial advantage to the countries concerned in their external transactions. A number of other factors were favourable to the under-developed countries: the reduced burden of external financial liabilities in view of the higher prices of export goods, even when the amounts involved were unchanged; the accumulation during the war by some of these countries of sterling assets, of which a portion has been released; and the generally, but not always, improved barter terms of trade resulting from the exceptional increase in the prices of certain export products. The shift from export balances before the war to import balances in recent years, particularly in trade with the United States, reflects the fundamental change in the trading position of countries such as Algeria, British Malaya, Egypt, India, Mexico, the Philippines and others, as shown in table 35. To some extent this change in trade balances has been caused by difficulties of maintaining exports at pre-war levels.

Table 35. Merchandise Trade: Balances of Principal Trading Countries

1937, 1938, 1946, 1947 and 1948

(In millions of United States dollars) [a]

Country	1937	1938	1946	1947	1948
Africa					
Algeria	9	19	−3	−83	−88 [b]
Belgian Congo	33	15	48	27	. .
Egypt	7	−36	−68	−42	−69
French Morocco	−24	−18	−59	−126	−151 [b]
Union of South Africa	−348	−364	−561	−952	−1,021
Asia					
Burma	103	102	−1 [b]	−14	−80
Ceylon	33	18	22	−26	7 [b]
China: Manchuria	−91	−171	. .	. .	. .
Rest of China	−33	−108	−412	−235	−83 [b]
Hong Kong	−26	−32	−35	−74	−112 [b]
India	47	46	−36	−85 [c]	−122 [c]
Indochina	40	26	50	−70	−94
Indonesia	273	111	−46	−154	−41
Iran	74	58	144	207	314 [b]
Iraq	−20	−28	−84	−103	. .
Japan	−163	33	. .	−352	−424
Korea	−51 [b]	−51 [b]	. .	. .	. .
Malaya	120	12	−35	−32	−23 [b]
Palestine	−47	−28	−173	−224 [b]	. .
Philippines	18	−40	−265	−320	−337 [b]
Syria and Lebanon	−22	−23	−82	−127	. .
Europe					
Austria	−45	−111 [b]	−3	−32	. .
Belgium	−81	−41	−517	−535	−295
Bulgaria	0	8	−8	12	. .
Czechoslovakia	35	62	84	3	3
Denmark	−24	−19	−255	−158	−141
Finland	1	−2	−9	−13	−74
France	−742	−446	−1,109	−1,093	−881
Germany: UK and US zones	180 [d]	−60 [d]	−564	−578	−811 [b]
French zone			. .	−8	. .
USSR zone			. .	. .	. .
Greece	−51	−41	−47	−95	. .
Hungary	31	33	5	34	. .
Ireland	−108	−98	−134	−372	−365
Italy [e]	−185	−39	−393	−761	−431
Netherlands	−221	−206	−579	−901	−839
Norway	−117	−100	−198	−402	−330
Poland [f]	−12	−27	−17	−55	19
Portugal	−52	−52	−89	−133	−236
Spain	. .	−54 [b]	−36	−88	−108
Sweden	−32	−60	−220	−544	−228
Switzerland	−142	−67	−169	−355	−356
Turkey	19	−4	100	−21	−76
United Kingdom	−2,136	−1,884	−1,320	−2,360	−1,771
Latin America					
Argentina	276	−5	580	221	291 [b]
Brazil	15	0	267	−86	90
Chile	104	36	20	12	54 [b]
Colombia	−10	−8	−29	−110	−29
Cuba	44	25	151	185	105 [b]
Dominican Republic	5	3	35	30	. .
Guatemala	−3	−5	1	−5	. .
Mexico	24	−11	−279	−320	−114
Peru	34	17	29	27	. .
Uruguay	13	13	4	−54	−41 [b]
Venezuela	153	163	160	122	. .

Table 35. Merchandise Trade: Balances of Principal Trading Countries *(Continued)*

1937, 1938, 1946, 1947 and 1948

(In millions of United States dollars) [a]

Country	*1937*	*1938*	*1946*	*1947*	*1948*
North America					
Canada	−12	912	4,231	8,949	4,746
United States [g]	120	101	219	−8	225
Oceania					
Australia	134	4	250	56	316
New Zealand	36	6	92	4	76 [b]

Source: Statistical Office of the United Nations.

The balances aim at representing the difference between the c.i.f. values of imports and the f.o.b. values of exports, i. e., "frontier values". In the case of the following countries, which report their imports f.o.b., the following arbitrary additions were made to the recorded import values: 10 per cent in the case of Australia, Canada, Cuba, Dominican Republic, Mexico, New Zealand, Philippines, Union of South Africa, United States and Venezuela; 20 per cent in the case of Peru and 25 per cent in the case of Guatemala. The Philippines records its exports on a c.i.f. basis; hence an arbitrary deduction of 9 per cent was made from recorded exports. Data for 1937 and 1938 in some countries relate to the fiscal year.

[a] Import balances indicated by minus signs.

[b] Balances partly or wholly estimated. The estimates for 1946, 1947 and 1948 were, in general, based on information covering part of the years in question.

[c] The figures for India exclude the direct trade of western Pakistan from 1 August 1947, of eastern Pakistan from 15 August 1947 and India-Pakistan trade until 29 February 1948. The balance for Pakistan in 1947 was $38 million.

[d] The figures for 1937 and 1938 refer to the territory of Germany as of 1937.

[e] The import figures used in the computation include goods from UNRRA but exclude the purchase of "surplus army property".

[f] The figures used in the computation exclude UNRRA goods and certain other non-commercial merchandise transactions.

[g] Exports include UNRRA goods and "government foreign relief".

In particular this has been true of agricultural products in cases when yields have fallen or when the areas cultivated have not kept pace with the increase in population which in several of the countries concerned has been substantial during the last decade. The retention of a larger proportion of the agricultural production for domestic consumption has seldom implied higher consumption standards.[1] At the same time, exports of goods sold abroad in competition with other countries have frequently been hampered by domestic inflationary pressures which have tended to raise costs of production above external market prices. In spite of the difference in price level, the export situation is similar to that which prevailed during the depression years of the 1930's, when the external demand was reduced and hence export prices fell to levels at which production for export frequently became unprofitable. In other cases, again, a reduction in the export of industrial raw materials has been caused by their extended use in the developing domestic industry or by the shift in agriculture from industrial to food crops. An example is afforded by the net export of raw cotton of the combined areas of the Indian Union and Pakistan, which was considerable before the war but has recently contracted substantially. The development during the war of synthetic or other substitutes for primary products which used to be supplied by under-developed countries has also affected adversely the prices or quantities of goods exported by certain of these countries.

Imports, while better maintained than exports, are changing in character. Owing to the increase in population and the lag in agricultural recovery, many under-developed countries have increased their imports of foodstuffs. Thus the quantity of wheat and wheat flour imported into British Malaya, Ceylon, Egypt, Mexico and the Near East area in the crop year 1947/48 was several times the annual average of the middle 1930's; and the net export of wheat from French North Africa, Iraq and India (with Pakistan) had turned into an import surplus. In certain cases, agricultural recovery during the last two years has mitigated or reversed this tendency, but there is no indication of a complete return to the pre-war direction of trade in foodstuffs. Imports of industrial products are greatly influenced by the tendency towards industrialization. India's import of cotton piece-goods, for instance, which already

[1] United Nations Department of Economic Affairs, *Post-war Shortages of Food and Coal* (Lake Success, N. Y., July 1948).

during the inter-war period had contracted heavily, has now fallen in quantity to a fraction of what it was in the late 1930's and is by far exceeded by India's export of cotton manufactures which are absorbed by various Asian and African countries. But it should not be assumed that the demand for foreign industrial products in general has been reduced. Rather, this demand has increased, particularly for capital goods, and has become more diversified.

Price considerations as well as the scarcity of exportable supplies in continental Europe and Japan have, since the 1930's, greatly increased the role of the United States as a source of supply; but imports from the United Kingdom are also at a high level as a result of the sucess with which that country has been able to meet the increased demand for capital goods.

The inability to finance heavy net imports from the United States, resulting from the difficulty of converting earnings by under-developed countries in soft currencies into dollars, led to a reorientation of their trade in 1948 and in some cases to a reduction in total imports. The trade deficits of a few under-developed countries in 1947 were replaced by surpluses in 1948, while those of others were greatly reduced.

While the outlook for a resumption of large-scale private imports of foreign capital for investment in the under-developed countries in the near future is not very bright, there will undoubtedly be some inflow of capital. Thus, the release of sterling funds built up during the war by certain of the countries in question is likely to continue. In spite of such capital imports and the possible reduction in the import of various consumer goods, the need for foreign capital equipment is likely to be so considerable that economic development could hardly be financed without a considerable expansion of exports. Since in most of the countries concerned, manufacturing production is hardly likely to be competitive in export markets in the near future, it must be anticipated that industrialization proper must go hand in hand with the development of primary production for export.

Before the war, the United States used to provide the under-developed countries, as a group, with a heavy export surplus. The difficulty of raising exports to the United States and the heavy dependence on that country as a supplier of capital equipment which thus has to be paid for in dollars, have created balance of payments problems for the under-developed countries and checked their economic development.

However, with the increase in, and modification of, European production that appears well under way, Europe should soon become able to supply an increasing proportion of the capital equipment which the under-developed countries require and thus find a substitute for part of the exports of consumer goods to these countries that used to play so predominant a role in Europe's economy.

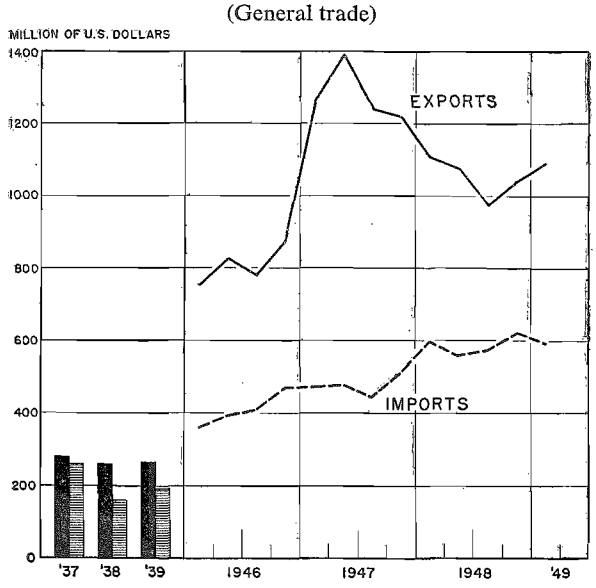
United States

The United States has come to occupy a key position in the international economy as a result of the increased dependence after the war of numerous countries upon the American market as a source of supply of commodities and of financial aid, as well as an export market. The quantum of United States exports in 1948 was almost twice that in 1937, as well as in 1938; on the other hand, its quantum of imports was only 8 per cent above the level of 1937—though 50 per cent above that of 1938 when there was a heavy contraction in the American demand. As chart 8, below, indicates, exports tended to decline in value from May 1947 to November 1948; since imports increased during the same period, the export surplus declined rapidly. It should be observed, however, that the maritime strike on the east coast hampered exports in November 1948 and that the export balance increased in the following few months.

Since the beginning of the century, the United States has usually had an import balance with the tropical belt but a persistent export balance with most countries in the temperate belt and particularly with western Europe. Since the war, there has been a net export in almost all directions, financed largely by American grants, loans and investments, and by the withdrawal of foreign liquid assets. Triangular trade not involving the efflux of funds from the United States has been

Chart 8. Merchandise Imports and Exports of the United States

(General trade)



largely confined, it appears, to the transfer through the United States of the yield of European investments in certain tropical territories. In particular, certain British oversea territories have been "dollar earners" for the sterling area's dollar pool. The United States import balance from British Malaya, due largely to purchases of rubber and tin, amounted to $285 million in 1947 and $270 million in 1948, as against $234 million in 1937. The corresponding import balances from British West Africa, resulting in large measure from cacao imports, were $48, $90 and $26 million, respectively. On the other hand, the prewar import balances from India, Indonesia, the Philippines and many other tropical countries have been replaced by heavy export surpluses. But the export balances with the majority of countries, both in the tropical and temperate belts, fell considerably from 1947 to 1948—an adjustment resulting from financing difficulties on the part of the United States trading partners after the critical international payments situation that developed in the second half of 1947. These changes in trade balances and the gradual increase in United States aid rendered it possible for other countries, during the last half of 1948, to reestablish part of the capital reserves in the United States which they had been forced to draw upon during the previous two and a half years (see table 38).

Table 36. Merchandise Trade Balance of the United States

1937, 1938, 1947 and 1948

(Recorded balances of general trade in millions of dollars) [a]

Country or area	*1937*	*1938*	*1947*	*1948*
World	265	1,134	9,607	5,544
Balance with				
United Kingdom	334	403	898	361
Rest of Europe (including USSR)	182	356	3,971	2,825
Argentina, Australia, Canada, New Zealand and the Union of South Africa	172	385	1,994	935
All other countries	—423	—10	2,744	1,423

Source: Official statistics.
[a] Import balances indicated by minus signs.

It is of interest to compare the recent movement of prices (or "unit values") of United States exports with those of the remainder of the world, converted to dollars at current exchange rates. The indices of such prices in table 37, computed on a 1937 base, show that the export prices of the United States in 1946 and 1947 were lower than average export prices in terms of dollars elsewhere.[1] The convertibility crisis in the last half of 1947, followed by the depreciation of the French franc in January 1948 and the prospect of larger agricultural crops, occasioned some decline in average export prices outside the United States.

Table 37. Average Export Prices: Indices of Unit Values in United States and Rest of World

1937, 1946, 1947 and 1948

Period	*Index of average export prices (unit values)* [a]		*Ratio of index for rest of world to United States*
	United States	*Rest of world*	
1937	100	100	100
1946			
First half	145	166	114
Second half	158	191	121
1947			
First half	177	207	117
Second half	188	222	117
1948			
First quarter	195	220	113
Second quarter	194	227	117
Third quarter	193	233	121
Fourth quarter	189	238	126

Source: Based on data supplied by the Statistical Office of the United Nations.
[a] In terms of dollars.

[1] To some extent the price discrepancy may have been due to the fact that finished manufactures, which had risen somewhat less in price since the base year than other goods, represented a larger proportion in the United States exports than in those of the remainder of the world.

so that the price discrepancy was greatly reduced in the early part of 1948. From the first to the fourth quarter of 1948 United States export prices fell by 3 per cent. The decline was due largely to lower prices of foodstuffs but the prices of goods other than foodstuffs also fell—on the average by over 1 per cent. On the other hand, the export prices of the remainder of the world, as a whole, increased during the same period by 8 per cent. These different price movements doubled the price discrepancy in the course of 1948.

Naturally, any computation of this kind is subject to qualifications of various kinds, and no close comparability should be assumed to exist between export price indices calculated by different methods in different countries in which the commodity composition of exports is very unequal. Nevertheless, the discrepancy in both level and tendency of the two indices quoted is large enough to be significant.

The share of the United States in world exports fell from 26 per cent in the first quarter of 1948 to 21 per cent in the last quarter of that year. This decline coincided with a relative cheapening of United States export prices. Probably, therefore, this redistribution of trade from the United States to soft-currency countries as sources of supply reflects in large part the trade controls employed by certain such countries in order to reduce their dollar expenditure. This does not mean that, if these controls had not been used, the redistribution of trade would not have taken place. The indications are that such a redistribution was a necessary consequence of the limits put on imports from the United States by the shortage of dollar funds and the absence of multilateral trade on a large scale. But if the trade controls had not been used it seems likely that either exchange rates or prices in the various currencies would have had to be adjusted so as to reverse the diverging movement of export prices referred to above. Under prevailing conditions, such adjustments would, in some countries, undoubtedly have been accompanied by unemployment and other economic disturbances.

One of the most spectacular facts—of particular importance to Europe—is the failure of the quantum of United States imports of finished manufactures (see table 39) to reach the 1937 level, in spite of an increase of over 60 per cent in disposable personal incomes in the United States computed at stable prices and recent reductions in import tariffs. While the lag in imports cannot be fully explained here, there is reason to draw attention to the price disequilibrium as one of its major causes. While the unit value index for finished manufactures exported from the United States had risen only 87 per cent from 1937 till the last quarter of 1948, that for imported manu-

Table 38. International Transactions of United States

1938, 1946, 1947 and 1948

(Quarterly averages in millions of dollars) [a]

Item	1938	1946	1947 (quarters) First	1947 (quarters) Second	1947 (quarters) Third	1947 (quarters) Fourth	1948 (quarters) First	1948 (quarters) Second	1948 (quarters) Third	1948 (quarters) Fourth
Goods and services	279	1,950	2,794	3,128	2,727	2,629	1,949	1,629	1,243	1,514
Merchandise (adjusted)	283	1,677	2,447	2,746	2,522	2,270	1,723	1,513	1,193	1,258
Interest, services, etc.	—4	273	347	382	205	359	226	116	50	256
Unilateral transfers [b] ..	—38 [c]	—719	—589	—576	—630	—585	—968	—953	—1,350	—1,640
Capital operations										
United States capital abroad	17	—858	—4,059 [d]	—1,905	—1,542	—428	—672	—321	—60	—258
Foreign capital in United States	93	—256	1,626 [d]	—339	—236	—856	—194	—176	145	519
Gold	—414	—156	81 [d]	—793	—667	—784	—348	—526	—320	—338
Errors and omissions....	63	39	147	485	348	24	233	347	342	203

Source: United States Department of Commerce, *Survey of Current Business.*

[a] Debit balances indicated by minus signs.

[b] Unilateral transfer of funds and bookkeeping entries offsetting deliveries of goods and services (without compensation) recorded in the preceding items.

[c] Personal remittances and institutional contributions only.

[d] It will be observed that the International Monetary Fund and the International Bank for Reconstruction and Development are not treated as being within the United States. If United States subscriptions to these international agencies during the first quarter of 1947 are excluded, the items for United States capital abroad, foreign capital in the United States and gold show debit balances during the quarter of about $1,100 million, $600 million and $600 million, respectively.

Table 39. Merchandise Trade of United States, by Category of Goods

1937, 1938, 1946, 1947 and 1948

(Quarterly averages)

Item	1937	1938	1946	1947			1948		
				First half	Third quarter	Fourth quarter	First half	Third quarter	Fourth quarter
Imports (for consumption)									
Value in millions of dollars	752	487	1,198	1,403	1,330	1,515	1,717	1,740	1,865
Crude materials	243	144	425	457	395	439	532	530	515
Crude foodstuffs	103	65	204	258	201	300	317	271	367
Manufactured foodstuffs	110	78	126	158	168	171	171	199	190
Semi-manufactures	159	96	232	297	310	343	390	418	433
Finished manufactures	138	104	211	233	254	262	307	322	360
Quantum index	100	72	100	96	90	101	107	105	113
Crude materials	100	71	123	118	105	118	126	120	117
Crude foodstuffs	100	78	101	93	73	99	102	85	119
Manufactured foodstuffs	100	81	72	73	78	79	77	90	86
Semi-manufactures	100	67	104	108	107	119	125	128	129
Finished manufactures	100	71	77	71	71	74	82	87	96
Unit dollar value index	100	90	160	193	191	201	214	221	221
Crude materials	100	84	141	157	151	153	173	180	179
Crude foodstuffs	100	81	194	267	266	291	300	307	298
Manufactured foodstuffs	100	87	161	198	198	196	203	202	203
Semi-manufactures	100	91	141	172	184	182	197	207	212
Finished manufactures	100	107	198	239	259	258	270	269	271
Exports (domestic produce) [a]									
Value in millions of dollars	825	764	2,376	3,711	3,389	3,486	3,246	2,907	3,096
Crude materials	183	151	354	424	344	389	328	374	459
Crude foodstuffs	26	62	162	208	208	253	284	358	340
Manufactured foodstuffs	44	46	381	404	345	344	356	308	296
Semi-manufactures	167	124	224	425	462	425	369	314	316
Finished manufactures	404	381	1,255	2,250	2,031	2,076	1,908	1,552	1,686
Quantum index	100	100	191	254	222	221	203	183	199
Crude materials	100	92	121	121	95	104	83	96	119
Crude foodstuffs	100	290	327	394	347	349	437	604	635
Manufactured foodstuffs	100	121	515	444	380	349	378	325	341
Semi-manufactures	100	85	110	167	171	154	129	108	109
Finished manufactures	100	96	205	320	272	277	250	204	224
Unit dollar value index	100	93	151	177	186	190	195	193	189
Crude materials	100	89	162	192	200	203	220	215	213
Crude foodstuffs	100	81	189	200	221	248	246	224	203
Manufactured foodstuffs	100	86	165	205	201	214	213	215	195
Semi-manufactures	100	88	120	149	158	161	168	170	170
Finished manufactures	100	99	152	174	185	187	189	188	187

Source: Statistical Office of the United Nations.

[a] The export figures for 1948 (but not those for earlier years) include shipments initiated during the war by the United States Army to furnish relief to the civilian population in occupied areas. Such shipments totalled $910 million in 1947.

factures had risen 171 per cent, or nearly twice as much. Part of this disparity is likely to be due to the divergence in the price movements of imported and exported manufactures, which differ in nature; but to some extent the disparity is likely to represent differences in the movement since 1937 of prices in the United States and soft-currency countries.

Though the United States programme of stock-piling certain raw materials has undoubtedly tended to raise its import of primary products, this import was in 1948 less than a fifth above its level in 1937. This increase lags very considerably behind the increase of about three-fourths in the manufacturing production, into which the imported primary products are largely absorbed. There has been a very considerable increase in the import of certain products, however, which may forebode lasting changes in the pattern of international trade. Thus the import of crude petroleum, gas oil and fuel oil has risen from an annual average of 57 million barrels, from 1936 to 1938, to 188 million in 1948, and the United States is rapidly approaching a situation in which it will have an import balance of petroleum and petroleum products. The United States has become a large net importer of copper and certain other non-ferrous metals. The import of raw wool has more than trebled—from 104,000 metric tons annually in 1936-38 to 345,000 in 1948, owing to the coincidence of a decline in domestic production and a rise in domestic demand. Imports of coffee have increased in quantity by half, and a similar increase is recorded for crude rubber,[1] in spite of the heavy expansion since the 1930's of the domestic production of synthetic rubber. On the other hand, imports of raw silk have declined in quantity by nine-tenths, and imports of vegetable oils and fats, by 72 per cent.

United States trade in foodstuffs has undergone a spectacular change since the 1930's. In 1937 there was a net import of foodstuffs of $571 million, but in 1948 a net export of $579 million, as shown in table 39. While the quantum of imports in 1948 remained smaller than in 1937, that of exports was over four times the 1937 level. From having been a minor exporter of wheat in the late 1930's, the United States has become, since the war, the principal supplier to the world market, exporting 13.5 million metric tons in 1948, or more than Canada, Australia and Argentina together. Exports of other cereals and rice have also increased since the 1930's, and the pre-war net imports of eggs and dairy produce has been replaced by an export surplus. The increased export of foodstuffs has been rendered possible by the expansion of production, due to a series of good crops and the rationalization of agriculture facilitated by the relatively high prices of foodstuffs.

Argentina, Australia, Canada, New Zealand and Union of South Africa

Argentina, Australia, Canada, New Zealand and the Union of South Africa are all sparsely populated countries in relation to their natural resources and are all well advanced in their economic development. They usually had merchandise export surpluses with the industrialized countries of Europe. On the other hand, they normally had an import balance with the United States.

As a general rule, the countries of this group have suffered from the collapse of convertibility of currencies upon which their triangular trade with Europe and the United States depended. Export surpluses to Europe, particularly to the United Kingdom, have not been freely available for financing imports from the United States. At the same time imports from the United States have tended to increase as a result of higher income levels and the demand for durable goods deferred during the war. The cases of Argentina, Australia and Canada, in which global trade surpluses and credits granted to European countries have coincided with difficulties of meeting dollar payments due, have been referred to in preceding reports.[2] In certain countries of the group under review, strong governmental measures have been taken with a view to reorienting trade so as to overcome the difficulties of multilateral settlement.

Canada's exports to the United States, particu-

[1] The increase over 1937, however, when rubber imports were comparatively high, was only 23 per cent.

[2] United Nations Department of Economic Affairs, *Economic Report: Salient Features of the World Economic Situation*, 1945-47, and *Major Economic Changes in 1948*.

larly of news-print, wood pulp, pulpwood and cattle, increased in 1948 and its imports from that country declined; the Canadian trade deficit with the United States fell from $926 million in 1947 to $111 million in 1948; the official gold and dollar holdings which, when special import restrictions were introduced in November 1947, had fallen below $500 million, had at the end of March 1949 reached the figure of $1,067 million. But the shift in the direction of trade occasioned a decline in the quantum of trade. Exports to Europe fell off though they were financed partly by "off-shore purchases" of the United States Economic Cooperation Administration in Canada.[1]

The tendency to redress the balance of trade is obvious also in the case of Australia and New Zealand. The increase in the Australian export surplus to a figure about six times that in 1947 was due largely to higher prices of a few staple export commodities, particularly wool, and the favourable season permitting these commodities to be produced and sold in larger quantities. But it is significant of the present trading situation that in spite of the greatly increased trade surplus —occurring chiefly in trade with Europe and not available for financing purchases from the dollar area—imports from the United States were heavily reduced. The trade deficit with that country fell to a fraction of its previous size.

Argentine trade has recently resulted in a large global surplus but, as in the case of other countries of the group under consideration, difficulties of financing the deficit with the United States have rendered necessary a drastic reduction of imports from that country.

The Union of South Africa, which from November 1947[2] relied on direct gold exports to finance imports from the United States, long failed to curtail these imports. The Union's manufacturing production has increased considerably since the 1930's; moreover, improved weather conditions in 1948 have rendered possible a resumption of maize exports, which had been suspended for several years, and a heavy increase in wool exports. Nevertheless, the trade deficit continued to increase in 1948. A severe balance of payments crisis occurred, and imports from the dollar area had to be restricted through exchange control from November 1948. Wider import controls, limiting imports from other areas as well, were introduced in the early part of 1949.

Continental Europe

The trade of continental Europe has traditionally consisted of trade among the countries concerned. However, this trade, which represented, in the main, an exchange of manufactured goods, depended very largely on the maintenance of essential supplies of primary products from other continents. Before the war, about three-fourths of the import from these continents used to be financed by exports to them. The remainder was paid for chiefly in two ways—by income from other continents, largely in the form of interest and dividends, and by an export surplus to the United Kingdom.

During the war the creditor countries of continental Europe suffered losses in their oversea investments; and though these losses were on the whole smaller, absolutely and relatively, than those of the United Kingdom, the transferable net income from such investments has become a minor factor in financing the import surplus. The previous export surpluses of the countries of continental Europe to the United Kingdom have after the war been wiped out or greatly reduced, owing largely to the fact that the United Kingdom has replaced Germany as a major supplier to continental Europe of manufactured articles.

The deeper cause of this change is the inability of the United Kingdom to pay for a large import balance with the rest of Europe, given the reduction in its income from foreign investments and the collapse of the multilateral trade which enabled continental Europe to finance imports from

[1] The amount of United Kingdom imports of bread grains, meat and bacon alone that may be financed by such purchases in the financial year 1948-49 amounts to $373 million. Owing to the heavy United States grain crop in 1948, the amount of such purchases is likely to decline in the financial year 1949-50.

[2] According to the agreement of November 1947, by which the Union of South Africa lent $80 million in gold to the United Kingdom, the latter renounced its right to buy from the Union Government a minimum of £70 million of gold annually.

other continents through an export surplus to the United Kingdom. To continental Europe, this change has thus implied the partial loss of both an export market and of commercial access to the oversea markets which are the principal suppliers of primary products. The deterioration of the creditor position of the United Kingdom has been of particular concern to the European countries which, like Denmark, Ireland, the Netherlands and Sweden, were accustomed to a heavy export surplus with the United Kingdom. Europe's net imports after the war have resulted chiefly from its trade with the Western Hemisphere and have been financed largely through United States assistance and the liquidation of gold and dollar reserves.

In this connexion the role of Germany in the pattern of Europe's trade has to be considered. Germany used to have an export balance with almost all European countries, which in turn had an export balance with the United Kingdom. In the 1930's, when bilateralism developed, Germany's exports to the industrial countries of continental Europe were reduced and absorbed largely by the settlement of financial obligations; and Germany developed bilateral trade under payments or clearing arrangements with countries in south-eastern Europe and Latin America in order to finance its imports of primary products. Other European countries to a certain extent substituted British for German manufactures in their imports but maintained a considerable export surplus with the United Kingdom, available for financing imports from other continents.

The almost complete collapse of German trade during the early post-war years rendered the other European countries increasingly dependent for their supply of manufactured articles upon trade among themselves and with the United Kingdom. A widespread network of payments agreements, allowing for overdrafts up to stipulated limits, was created; but as balances tended to accumulate in favour of a few countries with relatively hard currencies, the object of frictionless clearing of accounts within Europe was not achieved, and countries with soft currencies were compelled to restrict imports, particularly of "non-essential" goods. Meanwhile, the disappearance of the export surplus with the United Kingdom, the loss of markets in other continents, the scarcity of exportable surpluses of goods, disequilibria in the rates of exchange and unfavourable terms of trade contituted serious obstacles for financing imports from other continents.

With the aid of a heavy inflow of funds—in part withdrawals of liquid assets and in part sums granted or lent by Governments or international agencies[1]—essential primary products and capital goods have been imported. This has permitted the recovery of production and thus laid the basis for the expansion of exports which in the majority of European countries continued in the course of 1948 and the early months of 1949.

The countries which had suffered the greatest decline in their production and trade are making a rapid come-back; this is true, for instance, of eastern Europe, Germany and Austria. The French, Belgian and British trade deficits have declined and the heavy Swedish trade deficit was replaced by a surplus in the last quarter of 1948. The improvement that has taken place, however, must be seen against the clearly abnormal conditions of trade in 1947, and attention should be paid to the trade restrictions that countries have applied in adjusting their balance of trade. The restrictions laid upon imports of "non-essential" goods may be understandable at a time when there are serious disequilibria in balances of payments and strict economy is required in the use of available supplies of foreign currency. The fact remains, however, that several European countries—for example, Austria, France and Italy—will have less "essential" goods to offer for export than they require to import, unless the structure of their production is radically altered; this, if at all possible, would require time and would imply the loss of investments made and skills acquired.

The unevenness of the development of the trade of certain European countries is another drawback, noticeable particularly in the lag of trade between eastern and western Europe. Obviously, an expansion of such trade might at once serve the economic development of eastern Europe and supply western Europe with some of the primary products which would otherwise have to be imported from other continents. Even during the late 1930's, when Germany made a special effort to develop trade with the agricultural countries of south-eastern Europe, trade

[1] See *Major Economic Changes in 1948* (United Nations, January 1949).

between eastern and western Europe was much smaller than between western Europe and other continents. In 1948 it was well below the pre-war level, in spite of a considerable increase over 1947. This increase was confined largely to the flow of goods from eastern to western Europe and is unlikely to continue for long unless offset by a flow of goods from west to east. The lag in the development of east-west trade in Europe has been accompanied by an increase in the trade of the countries of eastern Europe (including the USSR) among themselves. The quantum of such trade in 1948 was 288 per cent of that in 1938, while that of trade among western European countries stood at 72 per cent and east-west trade at 42 per cent.[1]

To a certain extent, multilateral trade among the countries of western Europe (including the United Kingdom) has been replaced by a system allowing certain countries of that region to be compensated for export surpluses to other countries in the region by "conditional aid" from the United States under the European Recovery Program. In practice this arrangement implies that a portion of the proceeds of their exports to soft-currency countries can be turned into dollars. The provisions for conditional aid are linked with an arrangement for multilateral settlement on a limited scale among the countries concerned, that is, the members of the Organisation for European Economic Co-operation. Under existing currency disequilibria such settlement, in so far as it implies the exchange of an asset in one currency against an asset in another (conversion being made at official rates of exchange), is not always easy to carry out. But there are other difficulties limiting multilateral settlement on a regional basis. Regional settlement of balances, even when possible, must be incomplete. An active balance in intra-European trade used to be closely linked with passive balances with the outside world. Bilateral balancing of accounts between European and non-European countries is hardly possible, and any efficient system of multilateral trade must be more or less world-wide in scope.

It has to be recognized that in the present situation extensive government control and advanced planning of foreign trade is essential to many European countries. In this connexion it should be observed that such control and planning, which has to a considerable extent replaced or influenced the reaction of importers and exporters to the market situation, must necessarily remain incomplete and tentative as long as it is carried out on a national or even regional basis. An example of the difficulties of national planning of foreign trade is afforded by the fact that in the national programmes for 1952-53 submitted in 1948 to the OEEC, the participating countries estimated that they would finance a large proportion of their estimated deficit on current account with the Western Hemisphere by surpluses with one another, which is logically impossible.[2] Such an incompatibility between national programmes before their co-ordination is, of course, to be expected. A true co-ordination of the trading programmes of nations within a region cannot be made without taking into consideration the plans and prospects of the trading partners of these nations that are situated outside the region. In view of the manner in which bilateral balances dovetail, it is important to consider, not only future trade relations between countries inside and outside the region, but also the relations of the latter countries among themselves.

United Kingdom

The position of the United Kingdom in international trade is unique in view of the magnitude of the adjustment required as a result of war changes and the relative dependence of that country upon external trade. Table 40 indicates a rapid improvement in the balance of payments of the United Kingdom. The reduction in the deficit on current account has resulted, in spite of a decline in interest and dividend receipts, from a rapid contraction in the trade deficit, the restoration of a considerable surplus on account of services proper and—if comparison is made with 1946—a reduction in Government expenditures overseas.

[1] Secretariat of Economic Commission for Europe, *Economic Survey of Europe in 1948* (Geneva, 1949).

[2] Organisation for European Economic Co-operation, *Interim Report on the European Recovery Programme*, Vol. I (Paris, 30 December 1948).

Table 40. Balance of Payments of United Kingdom

1938, 1946, 1947, 1948 and 1949

(In millions of United States dollars)

Item	1938	1946	1947	1948 [a]	1949 [b] First half
Current items, total	−342	−1,532	−2,539	−484	−60
Merchandise [c]	−1,477	−838	−1,777	−879	−202
Government oversea expenditure	−78	−1,189	−834	−439	−387
Interest, profits and dividends	856	294	189	201	101
Services proper	357	201	−117	633	428
Capital items, total	−342	1,532	2,539	484	60
Change in gold and dollar resources:					
Change in gold and dollar holdings	. .	−210	612	222	786
Receipts under the European Recovery Program	. .	—	—	681	
Various Government credits received [d]	. .	1,123	3,514	802	
Change in sterling claims on the United Kingdom of					
Sterling area countries	. .	−150	−584	141	−726
Other countries	. .	306	12	−991	
Other capital transactions with					
Sterling area countries [e]	. .	161	−722	−774	
Other countries [f]	. .	302	−294	403	

Source: Balances of Payments, 1946 to 1948 (No. 2), (Cmd. 7648); *Economic Survey for 1949* (Cmd. 7647). Outward balances indicated by minus signs. Conversion to dollars has been made at the rate of $4.89 to the £ sterling in 1938 and $4.03 in post-war years.

[a] Provisional.

[b] Estimate.

[c] Based in part on exchange control figures, not trade statistics. Imports are valued f.o.b.; foreign payments for import freights are included with services.

[d] Includes government credits received from the United States, Canada and the Union of South Africa, and amounts drawn on the International Monetary Fund (of which $68 million drawn by India in 1948).

[e] Includes Australian and New Zealand gifts in 1947 ($121 million). Besides capital movements proper, this item includes funds taken abroad by emigrants.

[f] Includes repayment of United States and Canadian loans—$129 million in 1946, $145 million in 1947, and $101 million in 1948. The item also includes the residual balance, due to errors and omissions in the whole account.

The global balance of payments, however, for the United Kingdom, as well as for many other countries at the present time, is deceptive. It fails to show adequately the one-sided dependence on the United States and Canada. It will be observed that the bulk of the deficit on current account in 1946 was met by dollar credits, a portion of which was used by the United Kingdom to cover the dollar deficits of other members of the sterling area. From 1947 onwards the use of gold and dollar resources, including receipts under the European Recovery Program, has by far exceeded the current deficit. The estimated global deficit for the first half of 1949 of $60 million is much below the pre-war level, but the capital account suggests that the amount to be financed by gold and dollar resources will be thirteen times this figure.

It has been normal for the United Kingdom to have a large import balance in merchandise trade with North America and continental Europe —an import balance through which invisible income, particularly interest and dividends, has been transferred to the United Kingdom. The role of triangular trade in these transfers is illustrated by the fact that the largest import surpluses used to arise in trade with areas such as Europe and the United States, in which British investments were relatively small, and that at least until the 1930's there was an export surplus to many of the countries—particularly in the tropical belt—in which British investments were large.

Since the early 1930's, the role of Europe as a net exporter to the United Kingdom has declined, and since the war there has as a rule been a small British export surplus to Europe. The United Kingdom's trade with the Western Hemisphere, particularly with the United States and Canada, still resulted in a heavy import balance, of which only a minor portion could be settled through the dollar earnings of certain members of the sterling area. In spite of the discontinuation of the United Kingdom import surplus from Europe, its import balance from the dollar area has had to be financed by credits from foreign governments, receipts under the European Re-

covery Program and the continued liquidation of foreign assets, particularly British-held Latin American railways.

The shrinkage of net interest and dividend receipts is a factor of importance in explaining the change in the payments position. In order to finance the import of a similar quantum of imports as in 1938, these receipts would have had to rise from the equivalent of $856 million in 1938 to not far from $2,000 million in 1948; but in reality they had fallen to little more than a tenth of this figure. Further, of the large sterling claims, equivalent at the end of 1946 to $15,000 million, accumulated largely by countries which used to be in debt to the United Kingdom, $570 million was repaid in 1947 and $850 million in 1948, partly in hard currencies. Both these factors have reduced the amounts that could be transferred to the United Kingdom in triangular trade not only through Europe but particularly through the United States.[1] A shift of imports from "dollar" countries to other sources of supply has been rendered difficult both by price relationships under the prevailing exchange rates and by the fact that the supply of a number of important commodities from countries outside the dollar area has shrunk since the 1930's. The reduction of the United Kingdom's deficit on current account to a very small amount, therefore, has not removed the need for a considerable inflow of funds from the dollar area in the form of grants and credits. On the other hand, there has been an outflow of funds to other areas, representing emigrants' holdings, new investments and liquidation of debt.

In spite of the continued dependence on dollar funds, the reduction in the global deficit on current account remains a remarkable achievement. The quantum of exports rose to a level which in the last quarter of 1948 was 47 per cent, and in the first quarter of 1949 was about 56 per cent, above the 1938 average.[2] This increase, which was rendered possible by the liquidation of sterling claims of other countries and by the high degree of convertibility of sterling in commercial transactions within the "sterling area" and certain other groups of countries,[3] has been accompanied by a rapid change in the composition of United Kingdom exports. Even during the inter-war period, exports of capital goods and durable consumer goods, such as motor-cars, tended to increase at the expense of less durable articles of consumption, particularly textile manufactures. The continuation of this tendency is illustrated by the following figures showing the movement of the value and quantum of exports of "articles wholly or mainly manufactured", which represent not far from nine-tenths of the export value, divided into metal products (including instruments, machinery and vehicles) and other goods (chiefly textile products and other articles of consumption):

	Metal products	*Other*
Value in millions of £ in 1948	774	604
Percentage of 1938:		
Value	432	325
Quantum	199	112

This change was rendered possible by the coincidence of a heavy international demand for capital goods with the almost complete disappearance of Germany as a major exporter. The great bulk of such goods, it will be observed, is manufactured from domestic iron and steel, and the amount of domestic labour per unit of value is thus larger than in the case of most articles of consumption, which are produced from imported raw materials such as cotton, wool, pulp or rubber. This fact helps to explain why the high industrial activity for export in the United Kingdom has been possible without raising the quantum of total imports above four-fifths of the pre-war level.

[1] Other factors, some of which have been mentioned previously, are closely inter-linked with the changes in the foreign transactions of the United Kingdom now considered. Thus, outward payments of interest and dividends due by under-developed countries, while reduced chiefly as a result of the liquidation of British investments in these countries, have been limited also by the fact that several of these countries had to retain a larger share of their agricultural output for domestic consumption.

In the United States, the necessity during the war of developing domestic production of, or domestic substitutes for, primary products previously imported largely from under-developed countries led to a change in the structure and volume of production; this change is reflected in the continued lag in the United States imports of primary products (in relation to manufacturing production) and in the ability to supply food-importing countries, among them the United Kingdom, with a large portion of the foodstuffs that used to be derived from other countries.

[2] Since the quantum of exports in 1937 was 113 per cent of that in 1938, the quantum indices on a 1937 base would be 130 for the last quarter of 1948 and 138 for the first quarter of 1949.

[3] *Major Economic Changes in 1948.*

Table 41. Merchandise Trade of the United Kingdom, by Category of Goods

1937, 1938, 1946, 1947 and 1948

(Quarterly averages)

Item	1937	1938	1946	1947			1948		
				First half	Third quarter	Fourth quarter	First half	Third quarter	Fourth quarter
Imports (retained)									
Value in millions of £ [a]	238.2	214.5	311.8	392.0	506.6	438.8	497.2	508.8	511.7
Food	104.5	104.5	156.3	197.5	228.5	174.4	210.9	218.4	237.7
Raw materials	69.6	54.5	89.0	109.0	158.6	140.9	161.1	157.9	160.1
Manufactures	62.6	53.9	59.6	79.8	114.8	116.3	118.6	127.5	108.9
Quantum index	100	95	65	69	84	73	77	78	76
Food	100	103	70	76	86	69	74	77	81
Raw materials	100	88	65	65	88	77	81	77	75
Manufactures	100	91	52	55	75	75	72	79	66
Unit sterling value index	100	94	199	240	252	249	271	273	280
Food	100	97	213	249	254	245	272	273	282
Raw materials	100	88	199	242	259	262	286	291	302
Manufactures	100	94	183	230	242	248	262	259	262
Exports (domestic produce)	130.4	117.7	227.9	257.5	302.6	320.1	371.8	406.6	433.2
Value in millions of £ [a]									
Food	9.7	9.0	15.9	13.9	17.7	19.3	23.8	21.6	24.9
Raw materials	16.2	14.2	8.2	9.6	7.8	7.2	14.7	18.4	19.8
Manufactures	101.2	91.3	196.6	225.4	268.0	280.8	322.5	357.0	375.9
Quantum index	100	88	88	89	101	104	115	122	130
Food	100	95	84	66	82	95	99	91	108
Raw materials	100	88	25	24	19	16	30	36	39
Manufactures	100	88	97	101	115	116	130	139	146
Unit sterling value index	100	102	199	220	231	237	247	254	254
Food	100	98	197	218	225	211	249	244	238
Raw materials	100	99	206	244	258	275	305	311	315
Manufactures	100	103	199	221	232	239	246	254	255

Source: Statistical Office of the United Nations.

[a] In addition to the three categories shown separately, the totals include non-food animals and parcel post. Drink and tobacco are included in "food"; articles mainly unmanufactured are included in "raw materials"; "manufactures" relates to articles wholly or mainly manufactured.

Conclusion

The above analysis, necessarily sketchy because of space limitations and incomplete because of lack of data for many countries, is intended to throw some light on the violent changes in international commercial relations in recent years.

The United States has become the chief net supplier of goods to almost all areas. Private investments have come to play a subordinate role in financing trade balances among countries. Import surpluses are being chiefly financed, not by new private capital investments, but by the withdrawal of official liquid assets and by inter-governmental grants and credits, originating chiefly in the United States. A number of countries, particularly in Europe, are relying on funds supplied by the United States Economic Cooperation Administration. Triangular trade has largely disappeared, except within the sterling area. The resulting disadvantages are overcome to some extent by devices, such as "off-shore purchases" and "conditional aid", connected with, and depending upon, American financial aid. The underdeveloped tropical countries, with few exceptions, are no longer net exporters to the United States but net importers from that country. Argentina, Australia, Canada, New Zealand and the Union of South Africa can no longer, as before the war, freely convert export surpluses with Europe to dollars with which to finance their import balances from the United States. The United Kingdom, forced to raise its exports to a quantitative level much above that prevailing before the war, and to reduce its imports below the pre-war level, has not been able to resume its position as a net importer from continental Europe. Deprived of its export surplus to the United Kingdom, con-

tinental Europe finds it difficult to finance the import of its requirements from other continents, except by means of United States funds.

The situation which has thus developed differs in certain respects from that which prevailed during the first post-war years. At that time, trade was smaller and the need for foreign supplies was more pressing; but there were greater hopes for the establishment of harmonious trade relations at an early date. A network of payments agreements providing for governmental credits to cover balances arising in bilateral trade arose in Europe and between certain European and Latin American countries. The maladjustments that had to be overcome, however, proved more serious than had been expected, and the suspension in August 1947 of the short-lived arrangements for convertibility of sterling balances arising from current transactions marks the end of the premature optimism of the early post-war period.

While trade has continued to grow since that time, and while many of the shortages and bottlenecks which plagued countries during the early post-war period have disappeared, the foreign transactions of many countries are held in precarious balance only by means of inter-governmental aid and restrictions on trade and payments. The majority of countries have found it impossible to extend further credits under payments agreements, and very few countries possess considerable holdings of gold and foreign currency that can be mobilized and used for the financing of import surpluses. Lack of confidence in the domestic currency has, moreover, in certain countries led to the private hoarding of such holdings withdrawn from public control.

The difficulty of triangular or multilateral settlement has since the autumn of 1947 necessitated a geographical re-distribution of trade in a considerable number of countries—even in countries which are beneficiaries of United States aid or have a global surplus on current account in their balance of payments. In the main this re-distribution has implied the shift from hard-currency countries to soft-currency countries as sources of supply, and a shift in the opposite direction, of exports. There are indications, at least in so far as industrial countries are concerned, that the shift has occurred chiefly in the sources of supply, that it has been carried out chiefly by means of restrictions on payments and trade and that it has been accompanied by a widening of the existing discrepancy between prices in the two groups of countries.

At the very time, therefore, when the most urgent tasks of reconstruction have been completed and the general inflationary trend is abating, the price disequilibrium among countries appears to have become increasingly acute. While the disturbances in international commercial relations may be so grave that neither adjustments in domestic prices nor in exchange rates alone can bring about readjustment at the present time without harm to domestic prosperity, the task of establishing international equilibrium without undue delay is growing more and more important. It is obvious that, as long as exchange rates are maintained only by rigid exchange control, a country holding a balance in a given currency is likely to be unwilling to dispose of this balance in exchange for its equivalent in a currency which it believes to be over-valued in relation to its own. Under such conditions the revival of multilateral trade is naturally extremely difficult. The disadvantages of bilateralism are reflected not only in the necessity of paying higher prices for imports than would otherwise be necessary but also in the small flow of private funds for investment in countries which are short of capital. The discouragement of private capital movements is due largely to the difficulty under present conditions of transferring dividends and loan service payments through multilateral trade.

Eventually these difficulties will, it is hoped, be overcome and trade among countries be conducted as if they belonged to "one world". It may still be too early to depict in detail the pattern of trade balances that will then result. However, at the present time three central and inter-connected problems appear to overshadow other difficulties affecting international commercial and financial relations. The first involves the adjustments required on account of the industrialization of under-developed countries; the second, those on account of the rehabilitation of Europe's trade; and the third those related to the present one-sided reliance of both developed and under-developed areas on net imports from the United States that have to be financed by capital transfers—grants and inter-governmental loans, or liquidation of gold and dollar reserves—of a compensatory rather than a commercial nature.

If the industrialized countries of Europe (including the United Kingdom) continue to maintain a

heavy import balance with the United States, Canada, Argentina and Australia, among other countries, it appears that this import balance will eventually have to be financed by a net export to under-developed countries—particularly those which, like the majority of countries in the tropical belt, are complementary with the United States in their production and have or may develop an active balance of trade with that country through their export of primary products. At the same time, the strain which the financing of industrialization will exercise on the under-developed countries is likely to limit their ability to import articles of consumption from Europe, and to reserve their purchases in large part for capital goods.

It is true that at present the United States is the chief exporter of capital goods. But the supply of such goods available for export from both the United Kingdom and continental Europe has increased rapidly and it may be that the types of such goods that are produced in Europe will find a more ready market in the countries in the early stages of industrial growth than United States capital goods, produced largely for use in countries where labour is relatively scarce and the capital-intensity of industries accordingly very high. If this surmise is correct, the rehabilitation of Europe's external trade and the economic development of the vast areas which have hitherto lagged behind in economic growth—two of the most important and difficult tasks at present facing the world—would be interlinked and mutually support each other. The export surplus of industrial Europe to these under-developed areas would have to be financed by an export surplus of these areas to the countries from which Europe must be expected to import on balance, particularly the United States, Canada, Australia and Argentina. Naturally, should the export balances of the highly developed countries of continental Europe to the United Kingdom be restored, the pressure which is now on them to establish export surpluses to the under-developed areas would be reduced.

Doubtless, other solutions to current international trade problems are possible. Furthermore, it is not suggested that changes in trade of the kind indicated above would suffice to re-establish equilibrium in international transactions. It would be extremely difficult for industrial Europe, under any circumstances, to build up an export balance to the under-developed countries large enough roughly to offset its import balance with other areas, or for the under-developed countries to shift their present import balance with the United States to a heavy export balance. In fact, in the majority of both the war-damaged European countries and the under-developed countries outside Europe, the urgency of rehabilitation and development calls for investments at a rate well exceeding that before the war. Both the high investment, and the high consumption that usually accompanies investment, tend to absorb goods which would otherwise be available for export and imply a heavy demand for imports. Under such conditions these countries would naturally benefit from a resumption of the inflow of foreign loans and direct investments. But experience shows that such capital tends to shun countries from which dividends and debt service payments, usually taking place through multilateral transactions, cannot be transferred. Accordingly, the restoration of multilateral trade would also help to solve the third of the problems indicated above.

It might be thought that the devaluation of over-valued currencies so as to close the existing—and, it appears, widening—discrepancy between prices in different countries would constitute the easiest way to solve the present difficulties of international trade and finance. The indications are, however, that this is an over-simplification of the problem. It is undoubtedly true that one could conceive of a set of international exchange rates that would be compatible with international equilibrium and free convertibility of currencies. But it is also true that the full benefits of multilateral trade depend on the establishment of trading channels which in turn would be contingent upon changes in the nature of production and consumption in all the countries involved. The establishment of equilibrium rates and free convertibility alone, quite apart from the technical difficulty of computing the set of exchange rates involved, would be likely to have grave repercussions on national employment and prosperity in numerous countries. The problem of combining the maintenance of high levels of employment and national prosperity with international integration and equilibrium is therefore one which can hardly be solved in a short time or by schematic methods.

Part II

REGIONAL ECONOMIC CONDITIONS

Chapter 1

THE AMERICAS

A. UNITED STATES

High levels of employment were maintained in the United States throughout 1948. Physical output was between 3 and 4 per cent higher than in 1947. Since the export surplus declined considerably, the volume of supplies for domestic consumption increased by slightly more than total physical output. The broad upward movement of prices ceased by the end of the third quarter of 1948; this was due both to increasing supplies of food and other commodities and to weakening of demand. During the first quarter of 1949 the dollar value of the national output declined below the levels reached in the two last quarters of 1948. It appears that this drop reflected lower prices as well as a somewhat smaller volume of output. Industrial production during the first quarter of 1949 declined by about 3 per cent,[1] as compared to the last quarter of 1948, and there was also a decline in employment.

The index number of the physical output of goods and utilities, computed on a 1937 base, was 168 in 1948, compared to a war-time peak of above 180 in 1943 and 161 in 1947, as shown in table 1. Agricultural production in 1948 exceeded the 1937 level by 31 per cent, while non-agricultural production was 77 per cent higher than in 1937. Merchandise exports declined considerably from 1947 to 1948, but the physical volume of exports in the latter year was about twice as great as in 1937; this indicates a larger increase in exports since pre-war than in the domestic physical output of goods and utilities. Although the physical volume of merchandise imports increased by 14 per cent from 1947 to 1948, it was only 7 per cent larger in 1948 than in 1937.

Table 1. Production of Goods and Utilities in the United States
1947 and 1948
(1937 = 100)

Item	*1947*	*1948*
Total production of goods and utilities	161	168
Agricultural production	119	131
Non-agricultural production	171	177
Industrial production	165	170
Construction	135	154
Transportation	189	190
Electric and gas utilities	207	230

Source: Economic Report of the President, January 1949.

High post-war levels of production were due both to an increase in labour force and productive capacity and to a better and fuller utilization of resources of man-power, plant and equipment. From 1937 to 1948 the civilian labour force rose by 14 per cent; total civilian employment, by 28 per cent; and non-agricultural employment by 41 per cent. At the same time, agricultural employment fell some 18 per cent between 1937 and 1948. Unemployment in 1948 amounted to 3.4 per cent of the total civilian labour force but rose to over 5 per cent during the first quarter of 1949.

Food Production

Total agricultural production rose about 10 per cent from 1947 to 1948.[2] This rise was the result of the substantial increase in feed crops which had been adversely affected by weather conditions in 1947. All other major groups of agricultural products declined somewhat from the 1947 levels, as table 2 indicates.

The output of all farm products in 1948 showed substantial gains as compared to the pre-war period. This was achieved in spite of a decline in agricultural employment from 9.8 million persons in 1937 to about 8 million persons in 1948.[3] Since the total acreage harvested was only 6 per cent larger in 1948 than in the pre-war period 1935 to

[1] United States Department of Commerce, *Survey of Current Business,* May 1949. Seasonally adjusted index.

[2] This summary is based on official statistics and data published by the Food and Agriculture Organization of the United Nations.

[3] *Economic Report of the President,* January 1949.

Table 2. Agricultural Production in the United States
1947 and 1948
(1935-39 = 100)

Item	1947	1948
Crop production	135	145
Food grains [a]	197	184
Total food crops [b]	147	144
Total feed crops [c]	132	180
Livestock production	137	132
Meat animals [d]	144	135
Poultry [e]	150	148
Dairy products [f]	120	117

Source: United States Department of Agriculture, *The National Food Situation, January–March 1949* and *The Farm Income Situation, June–July 1948.*

[a] Including wheat, rye, rice and buckwheat.
[b] Including food grains, truck crops, fruits and nuts, vegetables and sugar crops.
[c] Including corn, oats, barley, hay and sorghums for grain.
[d] Including cattle and calves, sheep, lambs and hogs.
[e] Including eggs, chickens, turkeys and broilers.
[f] Including milk, butterfat, farm butter and farm consumption of dairy products.

1939, the rise in crop output by 45 per cent was mainly due to higher yields. The increase in yields was the combined result of increased mechanization of agriculture, a substantial rise in the use of fertilizers, improvement of cultivation methods, introduction of higher yielding grains and favourable weather conditions.

During the first half of 1948, livestock numbers continued to decline from the war-time peak, but at a slower rate than had been anticipated on the basis of the comparatively poor feed crops in 1947. After having increased during the latter part of 1948 above the levels prevailing at the beginning of the year, the number of cattle and hogs on farms as on 1 January 1949 showed an increase since 1935 to 1939 of 17 per cent and 30 per cent, respectively.

Productivity has also risen since pre-war in dairy farming. Thus, total milk production in 1948 exceeded the 1935 to 1939 average by about 9 per cent although the number of milch cows showed a slight decline during this period.

Approximately 80 per cent of the increase in United States wheat production over pre-war levels has been exported. As a result, the share of the United States in the total wheat exports of four major exporting countries—Argentina, Australia, Canada and the United States—rose from 10 per cent in the pre-war period, from 1934 to 1938, to more than 50 per cent in 1947 and 1948. In the case of other foodstuffs, the share of exports in the production increase was much more modest because of the increase in domestic consumption.

According to a preliminary estimate, domestic civilian *per capita* food consumption in 1948 was 12 per cent above the 1935 to 1939 level.

Industry

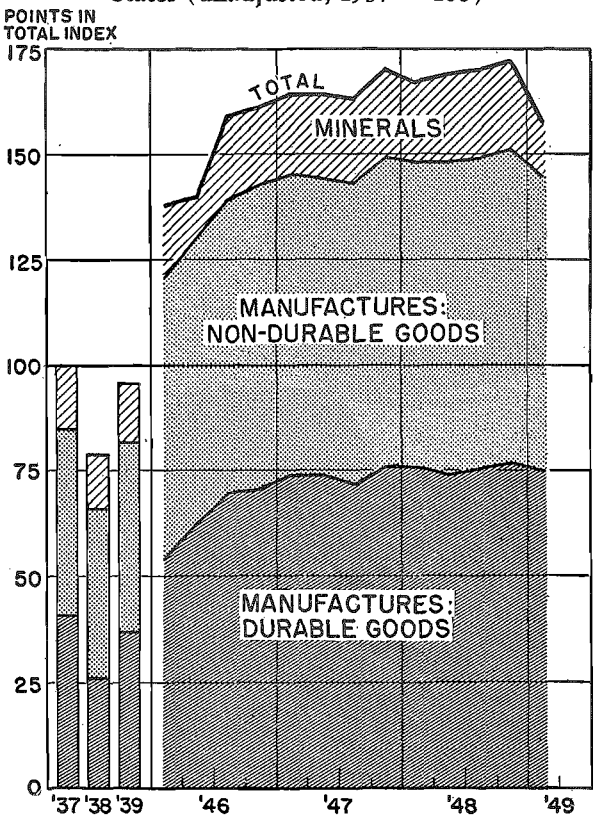
During the war, total industrial production reached a level more than twice as high as in 1937. After having declined to about 50 per cent above 1937 during the reconversion period, industrial production rose by 10 per cent and 3 per cent in 1947 and 1948, respectively, and in the latter year was 70 per cent above the 1937 level, as shown in table 3. In 1948, mining output was 38 per cent above pre-war, while manufacturing production was 75 per cent higher. This increase in manufacturing output was accompanied by an increase of about 50 per cent in employment.

Post-war trends in industrial production are shown in chart 9.

The largest industrial gains since pre-war have been in the production of machinery, transportation equipment and stone, clay and glass products and in the production of non-durable manufactures, such as petroleum and coal, chemical products and rubber products. The output of the durable goods industries has in general risen faster than the output of non-durable manufactures. The large increase in the output of machinery and transportation equipment was a result of the high level of investment expenditures in the United States and also, to some extent, of the increase in foreign demand.

Associated with the general expansion of United States industrial production since pre-war years, there has been a considerable increase in the output of raw materials. The production of steel in 1948 was 56 per cent higher than in 1937 and of coal, over 30 per cent higher. Raw cotton production in 1948 was some 15 per cent above that of the pre-war period 1934 to 1938. The United States also increased its output of such commodities as non-ferrous metals and wood products. In the particularly striking case of tin

Chart 9. Industrial Production in United States (unadjusted; 1937 = 100)



metal, United States production in 1948 was over 39,000 tons, or one-quarter of total world production in that year, as against a negligible volume of output in 1937. In other instances the United States has developed synthetic substitutes for imported raw materials, particularly in the case of rubber. In 1948 the output of synthetic rubber in the United States was about 500,000 metric tons, or one-quarter of the total world output of natural and synthetic rubber combined, as against a very minor output in 1937. The development of the production of nylon and plastics has also been of considerable importance.

Wool is one of the few important commodities whose production in the United States has decreased since pre-war years; post-war domestic production has been supplemented by imports several times as large as before the war. The United States also became a net importer during the post-war period of certain of the non-ferrous metals in which it had been self-sufficient before the war. This was partly due to heavy demand for stock-piling. During 1948, for example, the United States imported one-fifth of the lead metal output of the rest of the world. During the early months of 1949, however, a sharp break occurred in non-ferrous metal prices in the United States and there were signs that production and imports might fall.

In general, the United States has increased its production of raw materials sufficiently to enable it to expand over-all industrial production without increasing its imports by the same proportion. The total volume of imports of crude materials and of semi-manufactures in 1948 was about 40 and 50 per cent, respectively, above the 1936 to 1938 average, while industrial production increased by 88 per cent over the same period.[1]

The output of both durable and non-durable goods in 1948 was, in general, maintained near the rate of the fourth quarter of 1947. The largest gains over 1947 in the durable goods industries were made in the production of tractors, railway equipment, automobiles and refrigerators, where a large back-log of demand continued to exist. The output of some durable consumer goods, such as radios and vacuum cleaners, showed a declining trend during 1948, while output of washing

Table 3. Industrial Production in United States

1947 and 1948
(1937 = 100)

Item	*1947*	*1948*
Industrial production	165	170
Minerals	133	138
Manufactures	172	175
Durable manufactures	180	184
Iron and steel	159	169
Machinery	219	220
Transportation equipment	187	191
Non-ferrous metals and products	153	158
Lumber and products	127	128
Stone, clay and glass products	181	181
Non-durable manufactures	162	167
Textiles and products	154	160
Leather and products	114	109
Manufactured food products	152	154
Alcoholic beverages	176	169
Tobacco products	155	159
Paper and paper products	148	153
Printing and publishing	132	141
Petroleum and coal products	179	202
Chemical products	224	227
Rubber products	217	198

Source: United States Department of Commerce, *Survey of Current Business.*

[1] *Economic Report of the President,* January 1949.

machines declined after the second quarter of the year. In the non-durable goods industries, the largest advances over 1947 were made in the production of paper, petroleum products, industrial chemicals and synthetic fibres, such as rayon and nylon. Output of crude petroleum rose in 1948, while bituminous coal output declined as a result of a drop in both foreign and domestic demand.

Employment in manufacturing rose between 1 and 2 per cent from 1947 to 1948. This increase, however, was partly offset by a reduction of average weekly hours worked. Output per man rose during the year; part of this increase was due to larger supplies of raw materials as a result both of higher production and lower exports.

In the field of construction,[1] supplies of both materials and skilled workers increased as compared to 1947. Both public and private construction contributed to the rise in the physical volume of construction to about 14 per cent above the 1947 level. In the course of the year the rate of increase in construction slowed down. The number of new permanent non-farm dwellings begun during the latter part of 1948 showed more than a seasonal decline from the peak reached during the second quarter.

At the end of 1948 industrial production began to fall from the peak rates attained during the autumn. During the first quarter of 1949 industrial production declined by about 3 per cent compared to the fourth quarter of the preceding year. The larger part of the decline occurred in the non-durable goods industries. Textile manufacturing fell more than 5 per cent below the fourth quarter rate and almost 15 per cent below the post-war peak. Production of metals, tractors, railway equipment, automobiles and refrigerators was maintained at the levels reached during the fourth quarter of 1948.

Gross National Product

In terms of value, gross national product in 1948 increased about 10 per cent over 1947 and 150 per cent over 1940. The corresponding changes in real terms are not known accurately. However, in comparison with 1947, the physical volume of production of goods and utilities showed an increase of only 4 per cent, whereas in comparison with 1940 and 1937, it rose 52 per cent and 68 per cent, respectively. In 1948 total consumer expenditures, deflated by the cost of living index, were about the same as in 1947, but were 44 per cent above 1940. On a *per capita* basis, the increase over 1940 was about 30 per cent.

Table 4. Distribution of Gross National Product in the United States 1940, 1947 and 1948 [a]

	1940	1947 First half	1947 Second half	1948 First half	1948 Second half
Thousand millions of dollars: [b]					
Gross national product or expenditure	100.5	227.4	235.8	248.4	261.5
Personal consumption	72.1	161.1	168.4	174.9	180.6
Gross domestic private investment	13.0	29.5	30.5	38.0	41.4
Government expenditure less unilateral transfers	13.9	25.3	26.8	29.0	34.4
Net foreign investment plus Government unilateral transfers	1.5	11.4	10.2	6.5	5.0
Percentage of total:					
Gross national product or expenditure	100.0	100.0	100.0	100.0	100.0
Personal consumption	71.8	70.9	71.5	70.4	69.6
Gross domestic private investment	12.9	13.0	12.8	15.4	15.2
Government expenditure less unilateral transfers	13.8	11.1	11.4	11.5	13.1
Net foreign investment plus Government unilateral transfers	1.5	5.0	4.3	2.7	2.1

Source: United States Department of Commerce, *Survey of Current Business.*

[a] Seasonally adjusted.
[b] Annual rates.

The share of the gross national product, or expenditure available for personal consumption, was somewhat lower in 1948 than in both 1947 and 1940. This was associated with an opposite movement in the share of domestic private investment, as shown in table 4.

[1] Not included in the index of total production.

The significance of this shift for the analysis of inflation should be viewed in relation to the changes in taxes and Government transfer payments. From table 5 it is evident that Government receipts less transfer payments rose in relation to gross national product. The effects of these changes upon inflationary pressures are considered below.

Table 5. Relation of Gross Private Income and Disposable Income to Gross National Product in the United States

1940, 1947 and 1948 [a]

	1940	1947		1948	
		First half	Second half	First half	Second half
Thousand millions of dollars:					
Gross national product	100.5	227.4	235.8	248.4	261.5
Government receipts less transfer payments [b]	13.4	42.3	41.8	43.3	43.9
Gross private income after taxes [c]	87.1	185.1	194.0	205.1	217.6
Gross business savings [d]	10.7	18.7	20.4	22.1	24.4
Disposable personal income [e]	76.4	166.4	173.6	183.0	193.2
Percentage of total:					
Gross national product	100.0	100.0	100.0	100.0	100.0
Government receipts less transfer payments [b]	13.4	18.6	17.6	17.4	16.7
Gross private income after taxes [c]	86.6	81.4	82.4	82.6	83.3
Gross business savings [d]	10.6	8.2	8.7	8.9	9.3
Disposable personal income [e]	76.0	73.2	73.6	73.7	73.9

Source: United States Department of Commerce, *Survey of Current Business.*

[a] Seasonally adjusted; annual rates.

[b] Including contributions for social insurance, personal tax and non-tax payments, corporate profits tax liability, indirect business tax and non-tax liability and current surplus of Government enterprises, less subsidies, transfer payments and net interest paid by Government.

[c] Gross national product, less Government receipts less transfer payments.

[d] Including undistributed corporate profits, corporate inventory valuation adjustment, capital consumption allowances and excess of wage accruals over disbursements.

[e] Gross private income after taxes, less gross business savings; estimate is derived from gross national product and does not necessarily agree with the official estimate derived from the income side, because of the "statistical discrepancy".

The distribution of gross private income before taxes in 1948 was somewhat different from 1940, but little changed from 1947. As compared with 1940, the share in gross private income of wages, salaries and Government transfers, together with the share of farm income, gained at the expense of the share of rent and interest, and of the income of business and professional proprietors, as indicated in table 6. Corporate profits, including inventory valuation adjustment, closely maintained their relative position of 1940. As compared with 1947, there was only a slight relative increase in corporate and farm incomes; there was a corresponding relative decrease in rent and interest, as in proprietor—other than farmer—and labour incomes.

Table 6. Distribution of Gross Private Income before Taxes in the United States

1940, 1947 and 1948

(Percentage of total)

Item	1940	1947		1948	
		First half	Second half	First half	Second half
Total	100.0	100.0	100.0	100.0	100.0
Wages, salaries and government transfers	57.2	58.8	58.9	58.1	58.3
Gross corporate profits and inventory valuation adjustment	15.2	14.0	14.5	14.6	15.4
Gross income of proprietors (except farmers), rent and interest	21.0	18.8	18.8	18.7	18.1
Gross farm income	6.6	8.4	7.8	8.6	8.2

Source: United States Department of Commerce, *Survey of Current Business.*

Inflationary and Deflationary Tendencies

Inflationary pressures in 1948 were affected by a number of conflicting tendencies. The ratio of net non-consumption payments [1] to gross private income rose, compared with 1947, as shown in table 7. This factor, however, was offset by a decline in the proportion of income which tended to be consumed. In the second half of the year there was also an increase in real income, associated with an improvement in the supply of food, which checked inflationary price movements.

Although the ratio of total net non-consumption payments to private income rose from 1947 to 1948, there were divergent movements in its components. The export surplus, consisting of net foreign investment plus Government unilateral transfers, declined in relation to income. The fall was especially marked from the second half of 1947 to the first half of 1948, despite the credits, goods and services supplied by the United States under the European Recovery Program.

Table 7. Ratio of Net Non-Consumption Payments in the United States to Gross Private Income, by Major Components
1940, 1947 and 1948
(Percentage of gross private income)

Item	1940	1947		1948	
		First half	Second half	First half	Second half
Net non-consumption payments	17.3	12.9	13.2	14.7	17.2
Gross domestic private investment	14.9	15.9	15.7	18.5	19.0
Net foreign investment, plus Government unilateral transfers	1.7	6.2	5.3	3.2	2.3
Budget deficit, less Government unilateral transfers	0.6	−9.2	−7.7	−6.9	−4.1

Source: United States Department of Commerce, *Survey of Current Business.*

The reduction in the export surplus in relation to income was counteracted, however, by a fall in the budget surplus—exclusive of unilateral transfers. The decline was moderate from the second half of 1947 to the first half of 1948, but it grew sharper from the first half to the second half of 1948. This development was attributable to an expansion in Government purchases of goods and services, and to a decline in Government receipts as a result of personal tax reduction. In addition to the decline in the budget surplus, there was a further rise in gross domestic private investment in relation to income in 1948 over 1947. A large part of this increase represented inventory accumulation which continued throughout the year at a much higher rate than in 1947.

Table 8. Ratio of Consumption to Disposable Income [a] in the United States
1940, 1947 and 1948
(Percentage of total)

Item	1940	1947		1948	
		First half	Second half	First half	Second half
Total consumption	94.4	96.9	97.0	95.6	93.4
Consumption of non-durable goods and services	84.0	84.6	84.6	83.6	81.4
Consumption of durable goods	10.3	12.2	12.4	12.0	12.1

Source: United States Department of Commerce, *Survey of Current Business.*
[a] Statistical discrepancy added to disposable income.

The effect of the rise in the ratio of net non-consumption payments to income was largely offset by a decline in the proportion of income which tended to be consumed, as shown in table 8. This resulted primarily from the growing saturation of pent-up demand accompanied by the exhaustion of liquid assets.

[1] Net non-consumption payments are defined as the sum of gross private investment, export surplus and budget deficit, all of which generate private incomes which are not derived from the current production of goods and services available for personal consumption.

The inflationary price spiral, which had begun after the relaxation of controls in 1946, was halted during the second half of 1948 as a result of the rise in real private income associated with an improvement in the supply of food and of certain raw materials required for the manufacture of consumption goods. The additional food supply, actual and anticipated, resulted from the favourable harvest of food and, especially, of feed crops in 1948. As indicated in table 9, wholesale food prices fell about 10 per cent from their August peak to December 1948. The average price of farm products declined by about the same percentage from its peak in June to December 1948.

While the price adjustment was most extensive in the agricultural sector, it also affected the industrial segment. Price reductions in certain industrial commodities, such as textiles and leather, were fairly pronounced, mainly as a result of the fall in raw material prices, shown in chart 10.

Chart 10. Post-war Movement of Wholesale Prices in United States (1937 = 100)

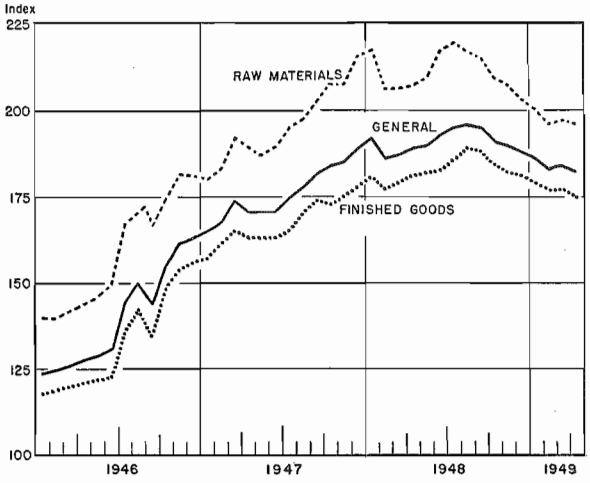


Table 9. Wholesale Prices in the United States
1940, 1947 and 1948
(1937 = 100)

Commodity group	1940	1947	1948		
			Year	Peak month	December
All commodities	91.1	176.2	191.2	196.4 [a]	187.9
Farm products	78.4	209.7	218.0	226.9 [b]	205.2
Food	83.4	197.3	209.5	221.6 [a]	199.1
Manufactured products	93.6	167.4	182.8	188.8 [a]	180.6

Source: United States Department of Labor.
[a] August.
[b] June.

The declining price trends at the wholesale level were, with some delay, reflected in the cost of living. As shown in table 10, the consumer price index fell from the third to the fourth quarter of 1948. This was entirely due to the decline in food prices, since non-food prices did not fall in the third and fourth quarters of 1948.

While consumer prices moved steadily downward during the fourth quarter of 1948, money wages, as represented by average hourly earnings in manufacturing industries, continued upward. This development resulted in some im-

Table 10. Consumer Prices and Wage Rates in the United States
1940, 1947 and 1948
(1937 = 100)

Item	1940	1947	1948		
			First half	Third quarter	Fourth quarter
Consumer prices [a]	97.6	155.0	164.7	169.6	167.9
Food [a]	91.7	184.0	197.8	205.3	197.5
Non-food [b]	100.7	139.9	147.4	151.0	152.4
Average hourly earnings in manufacturing industries [a]	105.9	195.7	207.5	216.0	219.7

Source: United States Department of Labor.
[a] Seasonally unadjusted.
[b] Derived from consumers' price index and food price index by assigning 0.343 as weighting factor to the latter.

provement in real hourly wages in manufacturing. Total labour income, after allowance for reduction in taxation, also showed some increase.

Employment was at a high level throughout 1948. One of the elements in the high rate of output and employment, however, was the increase in the accumulation of inventories. This accumulation was, at least in part, of an involuntary character and it could not therefore continue indefinitely at the same rate. At the beginning of 1949 there was a decline in the rate of inventory accumulation, coupled with a reduction of investment in fixed capital, especially in residential building. This factor, together with its repercussions on income and consumption, appears to have been the major cause of the slackening in economic activity and the rise in unemployment.

Foreign Trade and Balance of Payments

The post-war period in the United States was characterized by large export surpluses, which reached their peak in 1947 when they were 4.6 per cent of the gross national product, compared with less than 0.5 per cent in the pre-war period 1936 to 1938. These surpluses were financed by loans and grants from the United States and by the liquidation of foreign gold and dollar assets. In 1948 the export surplus shrank considerably despite grants and loans under the European Recovery Program because of the exhaustion of the gold and dollar reserves of importing countries. The improvement in the agricultural and industrial production of the importing countries facilitated the cuts in their import surpluses.

Exports of goods in 1948 dropped below the record level of 1947 by about 18 per cent in terms of value and 23 per cent in volume. On the other hand, imports of goods increased over the 1947 level in value and in quantity by 23 per cent and 13 per cent, respectively. The ratio of exports to gross national product rose from 3.5 per cent in the pre-war period to 6.6 per cent in 1947, and dropped to 5 per cent in 1948. The import ratio was nearly 3 per cent in 1948, or about the same level as in the pre-war period.

In terms of constant prices, the discrepancies between the movements in foreign trade and in home production were much greater than in terms of current prices. The physical output of goods and utilities in 1948 was 68 per cent higher than in 1937. The physical volume of exports, however, was about twice as great as in 1937, whereas the physical volume of imports was only about 7 per cent greater than in 1937. The failure of imports to keep pace with home production is attributable to the development of new branches of production in the United States during the war and post-war years, to continuing scarcities in certain items in the rest of the world and to the relatively high prices of some imports.

Since the pre-war period, the percentage distribution of foreign trade by classes of commodity has changed substantially on the export side. The change was only moderate, however, on the import side, as shown in table 11.

Table 11. Distribution of Exports and Imports of the United States, by Economic Category 1936-38, 1947 and 1948
(Percentage of total)

Category	Exports			Imports		
	1936-38	1947	1948	1936-38	1947	1948
Total	100.0	100.0	100.0	100.0	100.0	100.0
Crude materials	22.9	10.6	11.9	30.9	30.9	30.0
Foodstuffs	10.5	20.5	20.7	29.3	29.6	28.4
Semi-manufactures	17.7	11.8	10.9	20.4	22.1	23.2
Finished manufactures	48.9	57.1	56.5	19.4	17.4	18.4

Source: United States Department of Commerce, *Foreign Commerce Weekly.*

The percentages of crude materials and semi-manufactures in exports of goods fell drastically from the pre-war to the post-war period and increased slightly from 1947 to 1948. On the other hand, the share of foodstuffs almost doubled in 1947, as compared with the pre-war years, and increased slightly in 1948 as compared with 1947. The increase in 1948 was due almost entirely to

increased exports of wheat while exports of other foods declined. Semi-manufactures fell in importance over the pre-war period and the trend continued in 1948. Finished manufactures constituted more than 56 per cent of total exports in the post-war period, compared with 49 per cent before the war, but the proportion declined slightly in 1948. Exports of machinery, which registered a tremendous increase over the pre-war period, declined slightly in 1948, as did the exports of automobiles, textiles and iron and steel mill products.

Crude materials and foodstuffs remained the most important group of imports in 1948, as in the pre-war period. Semi-manufactures as a group increased in importance over the pre-war period. The slight increase in the semi-manufactured group in 1948 was due principally to increased imports of non-ferrous metals and fuel oil and reflected the improved world supply of these commodities. Finished manufactures remained the smallest group of imports and were even lower than pre-war, but there was some increase in 1948 as compared with 1947. The increase in finished manufactures was due to increased imports of news-print and of the manufactured products of western Europe, principally cotton and wool textiles, automobiles and steel mill products.

The geographic distribution of foreign trade also showed significant changes in the post-war period, compared with pre-war, as is indicated in table 12.

Table 12. Geographic Distribution of Exports and Imports of the United States
1936-38, 1947 and 1948
(Percentage of total)

Area	Exports			Imports		
	1936-38	1947	1948	1936-38	1947	1948
Total	100.0	100.0	100.0	100.0	100.0	100.0
Western Hemisphere [a]	33.9	40.2	42.1	37.2	59.0	57.6
Canada	15.3	13.5	15.2	13.9	19.1	22.0
Latin America	16.3	25.1	25.1	21.8	37.5	32.9
Europe [a]	42.3	37.6	34.7	29.1	15.3	16.1
Western Europe [b]	38.1	34.5	33.2	24.3	12.1	13.5
Eastern Europe [c]	3.7	2.8	1.3	4.1	2.7	2.1
Africa and Near East	5.0	6.8	8.3	3.3	6.6	7.4
Asia and Far East	18.8	15.3	15.0	30.4	19.2	18.8

Source: United States Department of Commerce, *Foreign Commerce Weekly*.

[a] Including areas not listed.

[b] Countries participating in the European Recovery Program, including Greece and Turkey.

[c] Albania, Bulgaria, Czechoslovakia, Finland, Hungary, Poland, Romania, Union of Soviet Socialist Republics and Yugoslavia.

On the export side, the Western Hemisphere countries have become progressively more important as a market. The countries of western Europe remained the largest market for United States goods, but the percentage of exports shipped to this area was smaller than in the pre-war period and decreased from 1947 to 1948, owing principally to the dollar shortage. Exports to Latin America increased greatly over the pre-war period and occupied about the same relative importance as a market in 1948 as in 1947. Africa and the Near East were more important as United States markets than before the war.

On the import side, Latin America became the principal supplier of goods to the United States, accounting for 38 per cent of the total in 1947, as compared to 22 per cent in the pre-war period. A decline was registered in 1948. Canada continued in 1948 to increase in importance as a supplier. Imports from western European countries increased in 1948 as compared with 1947, although their share in total United States imports was still considerably below pre-war. Africa and the Near East continued to rise in importance as suppliers of goods to the United States.

The reduction in the export surplus in 1948 was not limited to merchandise trade alone. As indicated in table 13, the surplus on invisible account fell from its fairly high level of 1947 to a very small figure in 1948. This development reflected primarily the change in income from transportation services, which fell more than 50

Table 13. International Transactions of the United States
1936-38, 1947 and 1948
(In thousand millions of dollars)

Item	1936-38	1947	1948
Export surplus of goods and services	0.3	10.7	5.7
Merchandise trade	0.3	10.0	5.7
Income on investment	0.3	0.8	1.0
Other services [a]	−0.4	−0.1	−0.9
Means of financing:			
Government aid [b]	—	5.7	4.7
Liquidation of foreign gold and dollar assets [c]	0.8	4.5	0.9
Other means of financing [d]	−0.4	0.5	0.1

Source: United States Department of Commerce, *Survey of Current Business* and *The United States in the World Economy* (Washington, D. C., 1943).

[a] Including private remittances.

[b] Including grants and loans, but excluding subscriptions to International Monetary Fund and International Bank for Reconstruction and Development.

[c] Including net sales of gold to the United States and net change in foreign dollar assets (bank balances, claims on the United States Government and long-term investments); excluding liquidation of assets held by the International Monetary Fund and the International Bank for Reconstruction and Development.

[d] Including movement of United States private capital, net dollar disbursements by International Monetary Fund and International Bank for Reconstruction and Development and errors and omissions.

per cent from 1947 to 1948, largely as a result of the higher proportion of merchandise trade shipped in foreign vessels. Of all invisible items, income on investment was the only group which showed an increase reflecting increased ownership of net foreign assets.

On the whole, changes in invisible items since before the war have not been of major importance in the balance of payments position of the United States.

During 1947 more than 42 per cent of the export surplus of goods and services was financed by the liquidation of foreign gold and dollar assets. In 1948 the percentage of net exports financed from this source shrank to about 15 per cent. On the other hand, Government aid, including both loans and unilateral transfers, although lower in absolute terms in 1948 than in 1947, accounted for 83 per cent of the export surplus in 1948, as compared with 53 per cent in 1947. These changes reflected principally the reduction by foreign countries in 1948 of withdrawals on their gold and dollar reserves.

B. CANADA

High levels of employment and output were maintained in Canada throughout 1948. Total physical output rose only slightly, since most of the increase in the value of the gross national product was accounted for by higher prices. Industrial production in 1948 rose between 3 and 4 per cent, as against an increase of 10 per cent in 1947, but the trend towards greater industrial diversification continued. The substantial reduction of the current account deficit with the United States, mainly a result of the increase in exports to that country, contributed largely to the increase in the official holdings of gold and convertible foreign exchange. Such holdings had fallen to a comparatively low level in 1947.

The broad upward movement of prices ceased during the autumn of 1948, owing to improved supplies of food and other commodities and also to some weakening in consumer demand.

The 1948 gross national product at constant prices has been estimated at about two-thirds above 1939. The corresponding index numbers for gross domestic investment in plant, equipment and housing and for private consumption, calculated at constant prices on a 1939 base, were 200 and 170, respectively. Exports of goods and services in constant prices rose 33 per cent and exports of goods alone rose considerably more. Canada continued, however, to be dependent on primary products for a high proportion of its exports.

The rise in manufacturing production contributed largely to the increase both in total physical output and in investment expenditures, as compared to pre-war. During the period 1939 to 1948, total manufacturing production and output of durable manufactures rose by 78 and 100 per cent, respectively.

From June 1939 to June 1948, the civilian labour force rose by 10 per cent, total civilian employment by 34 per cent and non-agricultural employment by 55 per cent. Unemployment in 1948 amounted to 2.1 per cent of the labour force, as compared to 19.2 per cent in 1939. Thus, a fuller use of existing resources of man-power and production facilities accounted for part of the increase in total physical output since 1939.

Supply of Foodstuffs

More favourable weather conditions in 1948 than in 1947 resulted in an increase in Canadian grain crops of almost 20 per cent, as shown in table 14. Compared with 1947, however, meat production and milk production declined by 5 per cent and 3 per cent, respectively, in 1948.

Compared to pre-war, there was in general a large increase in agricultural production, although the total acreage harvested in 1948 was only about 5 per cent higher than in the period from

Table 14. Food Production in Canada

1935-39, 1947 and 1948 [a]

(In thousands of metric tons)

Commodity	1935-39	1947	1948	1948 production as per cent of 1935-39	1948 production as per cent of 1947
Wheat	8,502	9,165	10,705	126	117
Oats and barley	7,150	7,376	8,909	125	121
Meat production, total [b]	643	965	918	143	95
Beef and veal	333	494	469	141	95
Pork, excluding lard	282	441	427	151	97
Fluid milk	5,709 [c]	6,319	6,103	107 [d]	97

Source: Statistical Office of the United Nations; Food and Agriculture Organization of the United Nations, *The State of Food and Agriculture-1948* and *Food and Agriculture Statistics;* United States Department of Agriculture, *Foreign Crops and Markets.*

[a] Crop years 1947/48 and 1948/49, respectively, for wheat, oats and barley; calendar years for meat and milk.

[b] Carcass meat basis, excluding offal, rabbit and poultry meat.

[c] Average of 1937-39.

[d] 1948 as percentage of 1937-39.

1935 to 1939 and total agricultural employment declined 7 per cent from June 1939 to June 1948. During the war and post-war years Canadian agriculture became more mechanized, consumption of fertilizers increased and higher yielding grains were introduced. These changes, together with favourable weather conditions in 1948, accounted for the large increase in yields as compared to pre-war.

During the war years there was a rapid and pronounced expansion in the production of livestock and livestock products. The subsequent fall in livestock numbers appeared to have come to an end in 1947. However, comparatively small feed crops in 1947 and rising prices of livestock products brought about a decline in livestock numbers from 1947 to 1948. Notwithstanding this drop, the number of cattle on farms in June 1948 was about 13 per cent higher than in June 1939. The substantial increase in feed crops from 1947 to 1948 was expected to result in an increase in livestock numbers in 1949.

Canadian exports of agricultural products have been subject to control in order to safeguard domestic requirements and oversea commitments. Net exports of wheat in 1947 and 1948 exceeded the pre-war average by 34 and 17 per cent, respectively, while net exports of meat increased from the 1935 to 1939 average of 77,000 metric tons, to 178,000 metric tons in 1947/48.

The average intake of calories *per capita* in 1947/48 was about 3 per cent higher than in 1946/47, when it equalled the level of the period 1935 to 1939. The composition of domestically consumed foodstuffs has shown a shift since pre-war years, from cereals and tubers to animal products. Since real income expanded substantially since pre-war, food was still in scarce supply in 1947/48. By 1948, retail food prices had increased considerably more since the pre-war period than the retail price index of commodities in general. However, larger supplies of food during the autumn of 1948 resulted in some decline in food prices.

Industry

War-time development resulted in a considerable expansion of Canadian industrial production. The index of total industrial production reached a peak in 1944, at 84 per cent above its level in 1937. Output fell subsequently during the reconversion period, but rose again in 1948 to 168 per cent of the 1937 level.

The increase in manufacturing production by 77 per cent since pre-war surpassed the corresponding rise in total physical output of the Canadian economy. In 1948, the rate of increase in manufacturing production was considerably slower than in the previous year. The increase in mining output of 22 per cent since 1937 fell considerably short of the expansion of the economy as a whole during this period. Employment in the construction industry [1] rose 51 per cent from 1939 to 1948. Salient indices of industrial production in Canada are given in table 15.

Compared to pre-war, the most substantial gains were, in general, in the manufacture of durable goods. In 1948, iron and steel products, transportation equipment, non-ferrous metals and

[1] Not included in the total index of industrial production.

Table 15. **Industrial Production in Canada**
1947 and 1948
(1937 = 100)

Item	*1947*	*1948*
Total industrial production	163	168
Mining	107	122
Metals	84	93
Fuels	126	156
Non-metallic minerals	166	182
Manufacturing	172	177
Non-durable goods	165	169
Food and beverages	181	185
Tobacco products	192	196
Rubber products	217	214
Leather products	156	135
Textiles, excluding clothing	151	158
Clothing	129	134
Paper products	151	157
Printing and publishing	148	156
Petroleum and coal products	172	186
Chemical products	168	175
Durable goods	183	188
Wood products	141	142
Iron and steel products	183	191
Transportation equipment	198	195
Non-ferrous metals and products	177	194
Electrical apparatus	236	225
Non-metallic mineral products	183	196
Electric power	163	161

Source: Dominion Bureau of Statistics, *Canadian Statistical Review.*

products, electrical apparatus and non-metallic mineral products were being produced at a rate more than 90 per cent above the 1937 level. This reflected the substantial increase since pre-war years in the proportion of investment in durable assets to gross national product—and also the trend towards a more diversified production. Substantial progress was made in the manufacture of machinery and equipment and of durable consumer goods. Although in 1948 the total volume of investment in machinery and equipment was about 233 per cent of the 1939 level, imports of machinery and equipment completed abroad were not appreciably higher than pre-war in relation to total investment in these goods. The domestic output of electric refrigerators and washing machines increased by 167 and 142 per cent, respectively, from 1937 to 1948.

In the field of the non-durable goods industries, the substantial increase since pre-war years in the output of rubber products was mainly due to the development of synthetic rubber production in Canada. The general level of textile output in 1948 was substantially higher than before the war, though cotton yardages had fallen from wartime peaks to little more than the level of 1939.

Over 200 products formerly imported from abroad were being produced in Canada in 1948; Canadians had a wider choice of domestically produced consumer goods than in any previous year.

Inflationary and Deflationary Tendencies

After the war, Government expenditures and exports of goods and services declined. By 1948, the share of Government expenditures in the gross national product had fallen to below the pre-war level, while the corresponding share of exports of goods and services was about equal to that of 1939. Gross domestic investment in plant, housing and equipment was rising in relation to gross national product throughout the post-war period. In 1948, such investments accounted for 16.5 per cent of gross national product, as compared to 12 and 9.9 per cent in 1937 and 1939, respectively. The ratio of private consumption to gross national product, on the other hand, declined from 1946 onwards and throughout the post-war period it accounted for a smaller proportion of gross national product than before the war, as shown in table 16.

Table 16. Composition of Gross National Product of Canada by Main Categories of Expenditure 1937, 1939, 1946, 1947 and 1948

(Percentage of total)

Item	*1937*	*1939*	*1946*	*1947*	*1948*
Total gross national product at market prices	100.0	100.0	100.0	100.0	100.0
Private consumption	70.7	69.0	66.7	66.2	64.9
Gross domestic investment in plant, equipment and housing [a]	12.0	9.9	11.1	15.2	16.5
Change in inventories [b]	1.4	5.8	3.9	6.4	3.6
Government expenditures [c]	12.3	12.9	14.6	11.2	11.2
Exports of goods and services [d]	30.1	25.9	27.7	27.1	26.3
Imports of goods and services	−26.5	−23.7	−24.2	−26.7	−23.5
Residual error of estimate	0.1	0.2	0.1	0.6	1.0

Source: Dominion Bureau of Statistics, *National Accounts, Income and Expenditures,* 1926-1947 and 1947-1948.

[a] Including gross investment in Government business enterprises.

[b] Change in value, except farm inventories and grain held in commercial channels.

[c] Excluding unilateral transfers; including Government expenditures on roads, public buildings and other new durable assets, other than expenditures by public business enterprises.

[d] Including unilateral transfers.

Changes in the expenditure composition of gross national product do not necessarily indicate an increase of inflationary pressure as compared with pre-war. In fact, the increase in investment in 1948 in relation to 1939 was offset by a considerable budget surplus. In the post-war period, taxes less transfers were maintained at a comparatively high level in relation to gross national prod-

uct, in spite of the relative decline in Government expenditures. As a consequence, the ratio of gross private income[1] to gross national product was considerably lower than before the war, as shown in table 17. Thus, although the share of private consumption in gross national product was much lower in 1948 than in 1939, the share in gross private income was about the same.

Table 17. Ratio of Taxes less Transfers [a] and of Gross Private Income to Gross National Product of Canada

1939, 1946, 1947 and 1948
(Percentage of total)

Item	*1939*	*1946*	*1947*	*1948*
Total gross national product at market prices	100.0	100.0	100.0	100.0
Taxes less transfers [a]	12.2	14.4	17.5	16.8
Gross private income	87.8	85.6	82.5	83.2

Source: Dominion Bureau of Statistics, *National Accounts, Income and Expenditures,* 1938-1947 and 1947-1948.

[a] Direct and indirect taxes, plus profits of Government enterprises, less subsidies and net transfers to the private sector.

At the end of the war, prices were only 20 per cent higher than in 1937. The increase in prices was limited by the aid of controls, including the rationing of a limited number of foodstuffs, such as meat, butter and sugar, the allocation of scarce raw materials and a general price ceiling policy involving, in many cases, subsidies on imported goods.

In the early post-war period Canada retained most of the war-time control system. From 1 January 1946 to 1 January 1947, the retail price index of commodities rose by 8 per cent. This rise in prices represented mainly authorized price adjustments as a consequence of the removal of subsidies, increases in domestic cost elements and higher and rising prices abroad. During the first half of 1947, the rationing of meat and butter was ended and the removal of subsidies continued. The more important prices, however, remained controlled until the latter part of 1947. After the termination of sugar rationing and the removal of most remaining price ceilings during the autumn of 1947, decontrol was practically completed. As a result, prices of essential commodities in short supply, such as food and clothing in particular, rose sharply.

In 1946, the ratio of net non-consumption payments[2] to gross private income was only slightly above 1939, as shown in table 18. The tendency to save out of private income was affected, on the one hand, by the substantial increase since prewar in real income *per capita*[3] and, on the other hand, by pent-up demand backed by liquid savings and by the rise since before the war in the share of labour in private income. The impact of pent-up demand, however, was restricted by the limited supplies of durable consumer goods. The main results, both of rationing, which was limited in scope, and of price control of unrationed goods in scarce supply, were to maintain the distribution of income which had arisen during the war and to channel expenditure to less scarce or less essential goods.

Table 18. Ratio of Net Non-Consumption Payments to Gross Private Income in Canada, by Major Components

1939, 1946, 1947 and 1948
(Percentage of gross private income)

Item	*1939*	*1946*	*1947*	*1948*
Total net non-consumption payments	21.5	22.0	19.7	22.0
Gross domestic investment in plant, equipment and housing	11.3	13.0	18.4	19.8
Change in inventories [a]	6.7	4.6	7.7	4.3
Net foreign investments [b]	2.5	4.2	0.5	3.4
Budget deficit [c]	0.9	0.2	−7.6	−6.7
Residual error of estimate	0.2	0.1	0.7	1.3

Source: Dominion Bureau of Statistics, *National Accounts, Income and Expenditures,* 1938-1947 and 1947-1948.

[a] Changes in value, except for farm inventories and grain held in commercial channels.
[b] Includes unilateral transfers.
[c] Excludes unilateral transfers.

In 1947, the rise in domestic investment was more than offset by the decline in net foreign investment and the change from a small budget deficit to a considerable budget surplus. Thus net non-consumption payments declined in relation to gross private income. This decline was offset by the decrease in the tendency to save, mainly be-

[1] Gross private income is equal to gross national product minus taxes plus transfers.

[2] Net non-consumption payments are defined as the sum of gross private investment, export surplus and budget deficit, all of which generate private incomes which are not derived from the current production of goods and services available for personal consumption.

[3] In 1946, gross private income *per capita,* deflated by the cost of living index, was 55 per cent above 1939.

cause increasing supplies of durable consumer goods permitted a higher degree of realization of pent-up demand than in 1946. General inflationary pressure does not appear to have been greater than in 1946. The carrying out of decontrol in 1947, however, resulted in a shift in non-durable consumption expenditures from non-essential to essential goods. This led to a sharp rise in the prices of essential goods, especially of food, and to a decline in real wages. The share of labour in total private income also declined as compared with 1946, as table 19 indicates.

Table 19. Prices and Real Private Income [a] in Canada
1947 and 1948
(1946 = 100)

Item	1947	1948
Retail price index [b]	112.6	134.2
Cost of living index	109.6	125.4
Food component	113.6	139.2
Real labour income [c]	96.1	94.1
Real gross private income	100.3	100.7

Source: Dominion Bureau of Statistics, *Canadian Statistical Review; National Accounts, Income and Expenditures,* 1938-1947 and 1947-1948.
[a] Private income divided by cost of living index.
[b] Commodities only.
[c] Labour income, plus military pay and allowances, less social insurance contributions, plus all transfers other than interest on public debt.

The increase in investment in plant, equipment and housing and in net foreign investment in 1948 resulted in a rise in the ratio of net non-consumption payments to gross private income. This increase in inflationary pressure was offset, however, by a decrease in the ratio of consumer expenditure to disposable income of private persons. The reasons for this decline were the saturation of pent-up demand, exhaustion of the liquid assets of the lower income groups and, perhaps, the limitation of imports from the United States which may have led to some postponement of buying.[1]

During the period September 1948 to April 1949, general price indices were comparatively stable and improved supplies of food and other commodities were associated with an increase in real weekly earnings to the level prevailing during the first half of 1947.

Foreign Trade and Balance of Payments[2]

The value of merchandise exports and imports increased by 12 per cent and 3 per cent, respectively, from 1947 to 1948. The physical volume of exports remained unchanged, while the volume of imports declined about 9 per cent. The 1948 dollar values of merchandise exports and imports were, respectively, 2.9 and 3.3 times as great as in 1937. The ratio of merchandise exports to gross national product was about the same as in 1937, but there has been some increase since 1937 in the corresponding import ratio. Since the prices of commodities entering into foreign trade rose more than domestic prices in relation to 1937, exports increased less in real terms than the gross national product, but the percentage rise in the volume of imports is estimated as roughly equal to the percentage increase in the volume of the gross national product.

The changes since pre-war years in the commodity structure of foreign trade have been comparatively small, as can be seen in table 20. The shares of producers' equipment and transport items in both imports and exports increased from 1939 to 1947. The share in total imports of consumer goods, including food and beverages, declined from

Table 20. Distribution of Imports and Exports of Canada by Major Categories [a]
1939 and 1947
(Percentage of total value)

Category	Imports		Exports [b]	
	1939	1947	1939	1947
Total	100.0	100.0	100.0	100.0
Producers' materials	41.9	38.3	69.7	61.7
Producers' equipment	12.1	16.3	3.4	5.5
Fuel, electricity and lubricants	7.2	7.2	1.0	0.8
Transport	7.3	8.7	3.8	5.8
Auxiliary materials for commerce and industry	1.3	1.2	0.3	0.5
Foods and beverages	12.5	10.3	15.4	19.5
Other consumer goods	10.9	10.3	3.4	3.6
Other goods	6.7	7.6	3.1	2.7

Source: Dominion Bureau of Statistics, *Canada Year Book 1942, Trade of Canada,* Vol. I, 1947.
[a] Computed on the basis of value.
[b] Excluding re-exports.

[1] The change in the ratio of consumer expenditure to disposable income of individuals could not have been caused, to any significant degree, by changes in the distribution of income.

[2] Foreign Exchange Control Board, *Annual Report to the Minister of Finance for the year 1948,* adjusted data.

1939 to 1947. A further decline in the share of consumer goods represented the main change in the composition of imports in 1948 as compared to 1947.

Apart from the increase in the shares of producers' equipment and transport items in total exports, the changes since pre-war in the structure of exports have not reflected the growing industrialization of Canada. In 1947, producers' materials and food still accounted for more than four-fifths of total exports. Five principal export products—wheat, flour, lumber, wood-pulp and news-print—acounted for 43 per cent of the dollar value of exports in 1947, as compared to 35 per cent in 1939. The 1948 figures showed an increase in exports of manufactured articles to the United States; but this was more than offset by a decline in such exports to other countries, as a consequence of trade and currency restrictions imposed abroad against imports from hard currency areas.

In the pre-war period, Canada's current account deficit with the United States was more than offset by the net surplus on current account with the United Kingdom and other countries. In 1947 there was a considerable increase, as compared with 1937, in the share of the United States in total Canadian imports, while the relative share of imports from the United Kingdom fell, as can be seen from table 21. The corresponding export share of the United States, however, was almost unchanged, since the relative fall in exports to the United Kingdom was offset by increased exports to countries other than the United States.

Table 21. Geographic Distribution of Merchandise Trade of Canada
1937, 1947 and 1948
(Percentage of total value)

Area	1937		1947		1948	
	Exports	*Imports*	*Exports*	*Imports*	*Exports*	*Imports*
Total	100	100	100	100	100	100
United States	38	60	39	77	50	69
United Kingdom	37	19	28	7	23	11
Other countries	25	21	33	16	27	20

Source: Dominion Bureau of Statistics, *Canadian Balance of International Payments*, 1947; Foreign Exchange Control Board, *Annual Report to Minister of Finance for the year 1948*.

The resulting rise in the commodity balance deficit with the United States accounted for almost 80 per cent of the very substantial increase in the total deficit on current account with that country from 1937 to 1947. Although there was a small over-all surplus on current account in 1947, net earnings of convertible exchange from countries other than the United States were much too small to prevent a considerable fall in official reserves of gold and convertible exchange. At the end of 1947, Canada imposed restrictions upon imports from the United States and upon travel expenditures by Canadians in that country. Moreover, drawings on foreign loans granted by the Canadian Government were reduced.

In 1948, imports from the United States fell, while exports increased. The rise in exports[1] accounted for about 75 per cent, and the decrease in imports for the remaining 25 per cent, of the considerable decline in the deficit on merchandise account with the United States. Net earnings of convertible exchange from countries other than the United States showed only a comparatively small gain from 1947 to 1948. More than half of such earnings in 1948 from countries other than the United States were accounted for by offshore purchases by the Economic Cooperation Administration. Nevertheless Canadian exports to countries participating in the Organisation for European Economic Co-operation decreased in 1948. The improvement shown in table 22 in the Canadian balance of payments in 1948 contributed to an increase in official holdings of gold and convertible foreign exchange. This increase continued during the early months of 1949. Canada was thus enabled to relax its restrictions on current transactions with the United States. Moreover, releases

[1] About $70 million (Canadian) of the increase of $460 million in the exports to the United States was accounted for by the rise in exports of beef cattle and beef products as a result of the removal in August 1948 of restrictions affecting the exports of these items.

at the rate of $10 million (Canadian) a month were arranged on the balance of the $235 million remaining on the credit granted to the United Kingdom by the Canadian Government.

Table 22. Balance of Payments of Canada
1937, 1947 and 1948
(In millions of Canadian dollars)

Item	1937				1947				1948			
	All countries	*United States*	*United Kingdom*	*Other countries*	*All countries*	*United States*	*United Kingdom*	*Other countries*	*All countries*	*United States*	*United Kingdom*	*Other countries*
Merchandise exports [a b] ..	1041	391	385	265	2710	1048	749	913	3030	1508	703	819
Merchandise imports, [a] f.o.b.	776	463	148	165	2533	1951	182	400	2598	1797	287	514
Surplus on merchandise account	265	—72	237	100	177	—903	567	513	432	—289	416	305
Surplus on other current accounts [c]	—85	—5	—102	22	—92	—232	66	74	40	—112	72	80
Total surplus on current accounts [b c]	180	—77	135	122	85	—1135	633	587	472	—401	488	385

Source: Dominion Bureau of Statistics, *Canadian Balance of International Payments, 1947;* Foreign Exchange Control Board, *Annual Report to the Minister of Finance for the year 1948.*

[a] Adjusted.
[b] Including unilateral transfers of $38 million and $19 million in 1947 and 1948, respectively.
[c] Including net exports of non-monetary gold.

C. LATIN AMERICA

Although the main characteristics of the Latin American economy have remained relatively unchanged as compared with pre-war, the circumstances of the war period encouraged the trend already apparent in the 1930's towards a more balanced economy. Some progress was made in the diversification of agriculture and in the expansion of industry. Grain production was increased and dairy products, fruits and vegetables played a more important part in the diet of Latin American countries. In industry the most important advances were made in textiles and building and, in a few countries, in iron and steel production.

During 1947 and 1948 the output of most agricultural commodities continued to increase, though a considerable fall in the output of Argentine grain reduced the supplies available for export from Latin America in 1948. Mining activity also continued to expand in 1947 and 1948. Manufacturing activity, on the other hand, appears to have reached its peak in 1946 in most countries of the region. In 1947 and 1948 manufacturing production in many countries declined with the revival of foreign competition, although Argentina, Chile and Uruguay do not appear to have been affected to the same extent as other countries; levels of manufacturing production reached in previous years in these three countries were maintained or increased in 1948.

The heavy inflationary pressures of the early post-war period persisted in 1947 and 1948, but the rate of advance of prices and wages diminished. The principal factors in recent tendencies towards stabilization have been increased supplies of consumer goods, especially textiles, and declines in budget deficits and in building activity.

The Latin American share in world trade rose from under 8 per cent in 1938 to over 13 per cent in 1946, but declined thereafter as a result of the recovery of trade in other areas, particularly in Europe. In 1948, as a result of growing foreign exchange difficulties, the import surpluses characteristic of many Latin American countries during the preceding year generally disappeared or were replaced by small export surpluses.

Food Production and Supplies

PRODUCTION

The conditions of the war and of the post-war period have encouraged the growth and diversification of food production in Latin America, both for home consumption and for export. At home, higher effective demand for foodstuffs by the working population was accompanied by reduced supplies of food and agricultural raw materials from abroad. The post-war world shortage of food has created a high demand for Latin American food exports. At the same time, however, production in some countries of the region has continued to be characterized by low productivity, and the important exporters of agricultural produce have remained dependent on relatively few crops.

The volume and composition of agricultural production have changed in many of the countries of the region. The cultivated area in barley, rye and alfalfa in Argentina has increased while wheat, linseed and maize acreages have been reduced. Brazil has greatly increased the total area under cultivation, has expanded the production of grain, sugar, fruit and vegetables and has also developed some jute and other long fibres of vegetable origin. Chile has increased its output of wheat, rice, potatoes, fruit and milk. Colombia has expanded its production of potatoes, rice and cotton. In Mexico the harvests of all main crops have been above those of pre-war, varying from an increase of 8 per cent in the case of wheat to six times the pre-war production of oats. In Peru increases have been particularly important in rice, wheat and barley; Cuba has more than doubled its production of sugar. Central American countries have generally concentrated their efforts not only on their traditional crops but also on rice and maize and, to some extent, on hard fibres.

For the region as a whole, the most important developments in grain production have been the increasing importance of wheat, relative to maize, and the considerably higher output of rice owing to the rice shortage in the Far East.

Governments have tended to favour increases in wheat production because of high prices in the international wheat market. Some countries, such as Bolivia, Brazil, Chile, Colombia, Ecuador and

Table 23. Wheat Area and Production in Certain Countries of Latin America
1934-38, 1947 and 1948

Country	Area (In thousands of hectares)			Production (In thousands of metric tons)		
	1934-38	1947	1948	1934-38	1947	1948
Argentina	6,783	4,717	. .	6,634	6,664	4,700
Brazil	151	329	. .	144	287	450
Chile	800	813	867	851	1,071	1,096
Colombia	. .	95	122	. .	78	. .
Mexico	489	552	577	374	405	477
Peru	109	100	150	76	95	144
Uruguay	484	505	507	365	424	461

Source: Food and Agriculture Organization of the United Nations, *Monthly Bulletin,* March 1949.

Guatemala, have guaranteed to producers fixed prices and sales of the entire output. As can be seen in table 23, nearly all Latin American countries, with the notable exception of Argentina, have substantially increased wheat production. Brazil trebled its production as compared with pre-war and Chile has become a net exporter instead of a net importer of wheat. Higher production levels have been achieved mainly through increases in the area under cultivation; in 1947, however, owing largely to extremely favourable weather conditions, yields rose substantially in Argentina, Chile and Uruguay.

Despite relatively larger increases in the production and consumption of wheat as compared with maize, the latter has continued to retain its leading position in Colombia, Ecuador, Guatemala, Mexico, Peru and Venezuela. The majority of Latin American countries show appreciable post-war increases both in production and yield of maize. In the case of Argentina, maize production has been far below pre-war levels. Technical and scientific progress, especially in the development of hybrid seeds, has undoubtedly played an important part in these increases. Table 24 gives pre-war and post-war data on maize production in the region.

As a result of the serious shortage of rice in the Far East, Latin American production of rice has greatly increased, compared with that of pre-war. As shown in table 25, many countries in the region more than doubled their pre-war production levels, and Brazil, Chile, Ecuador and Peru have even become exporters of rice.

The production of beans has also risen considerably, particularly in Brazil and Mexico, which increased their output above pre-war levels by 22 per cent and 77 per cent, respectively.

All Latin American countries for which data are available show a considerable increase in milk production as compared with that of pre-war. In Chile, production in 1947 was 158 per cent higher than in the period 1934-1938 and in Argentina output increased by 58 per cent over the same period. Production of butter and cheese has also increased substantially, especially in Argentina, Brazil and Chile, as has fruit and vegetable production.

The post-war livestock position differs considerably among Latin American countries. Brazil and Colombia and certain other countries have steadily increased their livestock populations. Elsewhere, cattle stocks appear to have reached a peak between 1942 and 1945, but have since fallen as a result of heavier domestic consumption.

Table 24. Maize Production in Certain Countries of Latin America
1934-38, 1947/48 and 1948/49
(In thousands of metric tons)

Country	1934-38	1947/48	1948/49
Argentina	7,892	6,500	5,500
Brazil	5,677	5,900	. .
Chile	62	74	. .
Colombia	496	570	. .
Cuba	. .	223	220
Dominican Republic	136 [a]	73	74
El Salvador	147	118	290
Guatemala	237	294 [b]	. .
Honduras	174 [c]	195	. .
Mexico	1,665	2,518	2,832
Nicaragua	35	75	108
Peru	452 [d]	400	621
Uruguay	139	153	. .
Venezuela	361 [e]	300	480

Source: Food and Agriculture Organization of the United Nations, *Food and Agricultural Statistics,* April 1949.

[a] Average 1936-38.
[b] 1946.
[c] 1930.
[d] 1928/29.
[e] 1936.

Table 25. Rice Area and Production in Certain Countries of Latin America
1934-38, 1947/48 and 1948/49

Country	Area (In thousands of hectares)			Production [a] (In thousands of metric tons)		
	1934-38	1947/48	1948/49 [b]	1934-38	1947/48	1948/49 [b]
Total	1,918	3,236	3,283	1,297	2,203	2,210
North and Central America:						
Costa Rica	11	14	13	10	15	10
Cuba	20	70	75	18	60	66
Dominican Republic	35	40	52	26	35	34
El Salvador	13	18	20	11	22	22
Guatemala	8	9 [c]	9	6	8 [c]	8
Haiti	3	10 [c]	10	6	15 [c]	15
Honduras	6	16	16	5	12	12
Mexico	76	138	163	36	74	82
Nicaragua	3	9	10	3	10	11
Panama	40 [c]	53	55	30 [c]	49	50
South America:						
Argentina	51	112	120	18	49	50
Bolivia	8	15 [c]	10	6	12 [c]	10
Brazil	1,365	2,065	2,070	956	1,520	1,520
Chile	11	89	90	3	28	30
Colombia	78	131	130	56	91	90
Ecuador	66	152	150	45 [c]	110 [c]	110
Paraguay	8	11	10	4	5	10
Peru	86	230	230	43	61	60
Uruguay	17	44	40	5	13	10
Venezuela	13	10	10	10	14	10

Source: Food and Agriculture Organization of the United Nations, *Rice Bulletin,* Commodity Series No. 11 (Washington, D. C., February 1949).

[a] Paddy.
[b] Provisional estimates.
[c] Estimated.

Table 26 indicates the progress in the production of certain foodstuffs during 1947, as compared with pre-war, in three Latin American countries for which data are available. Among the causes for the expanding output of the food processing industries have been the growth of population and the relative increases in the real incomes of low income groups in urban areas which enabled them to buy more expensive and therefore more highly processed foods. In addition, some imported foods have been replaced by local products; shipping shortages and governmental policies have encouraged a higher degree of processing in exported foodstuffs.

Supplies of food available for export have been reduced in the post-war period in many countries of the area, owing to the fact that domestic consumption has been increased above pre-war levels. In other instances, particularly in the case of certain food products raised mainly for export markets, exportable supplies have been higher than before the war.

Thus, as shown in table 27, Argentina's exports of both bread and coarse grains have declined absolutely and in relation to production on account of high export prices and increases in domestic consumption.

On the other hand, as a result of a 24 per cent rise in its cattle population as compared with pre-war, Argentine meat exports were in 1947 some-

Table 26. Production of Selected Foods in Certain Countries of Latin America, 1947

(Pre-war = 100) [a]

Item	Argentina	Chile	Mexico
Flour	127	117	96
Sugar	116	122	163
Cheese	163	170 [bc]	. .
Butter	149	150 [bc]	. .
Meats	110	114	143 [bd]
Edible oils	242 [e]	164	71
Wine	156	74	. .
Beer	210	131	211

Source: Official statistics of the countries, except where otherwise stated. Several of the indices include estimated farm consumption.

[a] Pre-war base in Argentina and Mexico, 1939; in Chile, 1936-38, except where otherwise stated.
[b] From Food and Agriculture Organization of the United Nations.
[c] 1946/47, base year 1936.
[d] 1946, base years 1934-38.
[e] 1946.

Table 27. Bread and Coarse Grain Production and Exports of Argentina

1934-38, 1947/48 and 1948/49

(In millions of metric tons)

Commodity	Production			Exports		
	1934-38	1947/48	1948/49	1934-38	1947/48	1948/49
Total	16.03	15.33	11.29	10.68	7.14	5.25
Bread grains	6.89	7.19	4.52	3.45	3.13	1.60
Coarse grains	9.14	8.14	6.77	7.23	4.01	3.65

Source: Food and Agriculture Organization of the United Nations, *Grain Bulletin,* Commodity Series No. 10, January 1949.

what higher than before the war; in 1948 and the early part of 1949, however, difficulties arose in connexion with the meat agreement between Argentina and its principal buyer, the United Kingdom. Severe droughts in Brazil and Uruguay, and a high rate of slaughtering during the war years, have prevented these countries from resuming their meat exports at pre-war levels. Moreover, since sheep withstand drought better than cattle, and wool prices have been high, the number of sheep has increased relative to that of cattle. Table 28 provides data on pre-war and post-war exports of meat by Argentina, Brazil and Uruguay.

Table 28. Meat Exports of Certain Countries of Latin America [a]

1934-38, 1946 and 1947

(In thousands of metric tons)

Country	1934-38	1946	1947
Argentina	692	690	784
Brazil	103	102	78
Uruguay	151	133	126

Source: Food and Agriculture Organization of the United Nations, *Livestock and Meat,* Commodity Series No. 3, 1948.

[a] Estimated net exports, in carcass-weight equivalent.

Cuban sugar production and exports in 1947 were more than double their pre-war level, but at the end of 1948 there was some concern over the possibility of sugar surpluses as a result of increased production in other regions, particularly Europe. A similar situation has confronted other sugar exporting countries but, except for Brazil, which in 1947 was producing half as much again as before the war, these countries have not increased their production to any appreciable extent.

The production and export of bananas has returned to pre-war levels; Honduras, the largest producer, has nearly doubled the volume of its exports as compared with pre-war. Greatly increased exports have also been provided by the Dominican Republic and Haiti, but in Colombia, Ecuador, Guatemala and Nicaragua production and exports have been considerably lower than before the war.

In the case of coffee, there has been a sharp decline in the output of the main producing country, Brazil; increases in others, such as Colombia, Cuba and Honduras, have been small. In Brazil, output in 1947 was some 40 per cent lower than the pre-war level.

CONSUMPTION

Some progress has been made in several countries of the region since pre-war years in raising nutritional standards—especially in Argentina, Colombia and Mexico, as shown in table 29. Nevertheless, standards have remained very low except in Argentina and Uruguay; the intake of fats and proteins has been particularly inadequate in most instances.

Appreciable improvement in food consumption levels in Latin America could be achieved by the reduction of its net exports of foodstuffs and by increases in the volume of intra-regional trade in food. However, since food accounts for a very large proportion of the total exports of the area, any such development would have to be accompanied by lower imports from the United States and Europe of the goods which Latin American countries need for economic development. Further immediate progress in raising nutritional standards must therefore depend mainly on improving yields and increasing the general efficiency of agricultural methods; these have been rendered all the more necessary by shifts in the labour force from the rural areas to the towns.

Table 29. Food Supplies: Calorie, Protein and Fat Value Per Person Per Day in Certain Countries of Latin America

1934-38 and 1947/48

Country	Calories		Protein (In grammes)				Fat (In grammes)	
	1934-38	1947/48	1934-38		1947/48		1934-38	1947/48
			Total	Animal	Total	Animal		
Argentina	2,730	3,190	98	62	110	66	93	108
Brazil [a]	2,150	2,240	68	32	64	27	52	45
Chile	2,240	2,350	69	21	73	24	38	40
Colombia [a b]	1,860	1,990	47	20	51	22	37	39
Cuba	2,610	2,680	62	23	67	26	48	56
Mexico	1,855	2,206	56	20	61	17	43	46
Peru	1,860	1,920	56	13	52	14	36	35
Uruguay [a]	2,380	2,480	90	61	90	59	90	84

Source: Data supplied by Food and Agriculture Organization of the United Nations; for Mexico, *The State of Food and Agriculture–1948.*

[a] 1935-39 averages for pre-war.
[b] Post-war year 1946.

Industry

Latin America's traditional position as a source of raw materials for the industrialized countries of the world has been little changed by war-time and post-war developments. Thus the extractive industries continued in the post-war period to occupy a leading position in the Latin American economy, second only to food production. The most striking increase in output has occurred in the petroleum industry, which in 1948 was producing at over double its pre-war rate. Significant advances have also taken place in the production of iron, zinc and tin ores, but the output of precious metals has fallen to less than two-thirds of pre-war levels.

The growth of manufacturing activity during and since the war has been on a relatively small scale except in a few of the more advanced countries; even in these production in 1947 and 1948 was in some cases adversely affected by the resumption of competition from the United States and Europe. The most important development in manufacturing activity has occurred in textiles. Almost all countries in the region have in the post-war period become less dependent on foreign sources for their supplies of textiles, and Brazil and Mexico have become significant exporters. Most countries have likewise expanded their output of building materials in response to increased requirements in urban areas. Iron and steel and engineering production, on the other hand, has been mainly concentrated in Argentina, Brazil, Chile and Mexico.

MANUFACTURING

There was some expansion of manufacturing activity in several Latin American countries during the war and post-war period, not only in industries engaged in processing foodstuffs and raw materials largely for export, but also, more strikingly, in industries producing largely for home markets.

This expansion resulted mainly from the need to fill the gap left by the decline in imported manufactures during the war. The rise was achieved largely by full utilization of existing plant and equipment and the substitution of domestic for imported raw materials, since adequate supplies of capital goods and raw materials could not be imported from overseas.

Indices of production and employment are available only for a limited number of Latin American countries, such as Argentina, Brazil, Chile and Mexico. In these countries, as shown in tables 30 and 31, the physical output of manufacturing industries has risen by about 50 per cent since 1937, and employment by 20 to 50 per cent. Available data for other countries, including Colombia, Uruguay and Venezuela, although less comprehensive, indicate rates of growth of comparable magnitude. In some of the smaller countries, on the other hand, there was relatively little progress in manufacturing during the period under review.

During the war, manufacturing output appears to have advanced fairly steadily until 1943, but in

Table 30. Manufacturing Employment in Certain Countries of Latin America

1946, 1947 and 1948
(Pre-war = 100) [a]

Country	1946	1947	1948
Argentina	137	147	148 [b]
Chile	132	142	137 [c]
Mexico	125	123	. .
Uruguay	148	150	. .

Source: Secretariat of the Economic Commission for Latin America.

[a] In Argentina and Chile, 1937; in Mexico, 1939 and in Uruguay, 1938.

[b] Four months.

[c] Six months.

1944 and 1945 progress was uneven, since many countries had already reached the peaks of production which could be achieved with existing capacity.

The post-war period gave rise to two contradictory developments. On the one hand, in 1946, countries were able to resume large-scale imports of industrial and transportation equipment as well as of fuel and raw materials. The productivity of labour appears to have risen in several countries. In Chile and Mexico, the output of manufactures increased again in 1946 after previous setbacks, while in Argentina the 1943 rate of production was maintained.

On the other hand, the resumption by the advanced industrial countries, particularly the United States, of their exports of manufactures to Latin America subjected the war-time expanded industries of the region to the pressure of foreign competition. Since many of these industries were characterized by a relatively high price-cost structure, the resumption of imports from abroad operated to halt the expansion of output in most of the Latin American countries during 1947. In Argentina and Chile production increased very little, while in Brazil and Mexico there was a moderate recession. Available data indicate that similar developments were taking place in other countries as well. The chemical and textile industries seem to have been particularly affected by renewed foreign competition.

At the same time, Latin American countries were expending foreign exchange reserves built up during the war at a rate which, if continued, was likely to cause an interruption, in the near future, of the flow of imported equipment and materials necessary to the new and growing industries. Consequently, many countries tightened their exchange controls during 1947 and 1948—a measure which not only helped to conserve foreign exchange, but also enabled some limitation to be placed on competition from abroad. As a result, several Latin American countries in 1948 recovered part of the ground lost during the previous year, or, in some cases, made further progress.

Table 31. Manufacturing Production in Certain Countries of Latin America

1946, 1947 and 1948
(1937 = 100)

Country	1946	1947	1948 [a]
Argentina	151	162	. .
Chile	145	148	151
Mexico	163	143	147

Source: Statistical Office of the United Nations and data compiled by the secretariat of the Economic Commission for Latin America.

[a] Provisional.

In general, it appears that the post-war production peak was reached in most countries in 1946; since then there have been declines. In a few countries, however, notably in Argentina, Chile and Uruguay, the higher levels of production achieved in 1947 were maintained or exceeded in the following year.

The general structure of production does not appear to have changed substantially from that of pre-war. Although the production of some industrial goods, particularly metals, building materials and certain foodstuffs and beverages, has expanded somewhat more rapidly than total industrial output, these developments have not been sufficiently important to change the structure of production significantly. Foodstuffs and textiles continued to be the leading industries.

Textiles

Substantial increases in the production of cotton in Argentina and Mexico since pre-war years, as shown in table 32, have not sufficed to offset declines in Brazil, the largest producer in the region, and in Peru. All these major producing countries increased their output in 1948/49 over the previous year, but production in Brazil and Peru was still well below pre-war. Of the smaller producers, Paraguay has more than doubled its pre-war level of production but there has been no change in Colombia. Exports were lower than before the war in all countries for which data are available, with the outstanding exception of Mex-

ico, whose exports in 1947/48 were nearly six times as large as in 1938/39. Domestic consumption of cotton, on the other hand, was higher in all countries, including Mexico.

Table 32. Cotton Production, Exports and Consumption of Certain Countries of Latin America
1938/39, 1947/48 and 1948/49 [a]
(In thousands of bales) [b]

Country [c]	Production			Exports		Consumption	
	1938/39	1947/48	1948/49	1938/39	1947/48	1938/39	1947/48
Brazil	1,989	1,175	1,500	1,609	1,054	642	843
Peru	378	307	310	351	279	30	60
Mexico	307	486	550	62	359	206	275
Argentina	260	412	425	116	36 [d]	150	372
Colombia	29	29	29	–	–	50	100
Paraguay	25	33	56	35	31	. .	. .

Source: International Cotton Advisory Committee, *Quarterly Statistical Bulletin,* December 1948.
[a] Years beginning 1 August.
[b] Bales of 478 pounds net.
[c] In order of pre-war volume of production.
[d] 1946/47.

Wool production in Argentina and Uruguay in 1948/49 was considerably higher than before the war, as indicated in table 33. This factor, together with the accumulation of large stocks during the war, enabled these countries to raise both domestic consumption and exports during the post-war period. Elsewhere in the region there has been little change in raw wool production as compared with pre-war years.

Table 33. Wool Production and Exports of Latin America
1934-38, 1947/48 and 1948/49
(In thousands of metric tons) [a]

Country	Production			Exports	
	1934-38	1947/48	1948/49 [b]	1934-38	1947/48
Total	273.0	348.7	360.0	. .	. .
Argentina	169.6	224.5	224.5	138.3	214.2
Uruguay	50.3	72.6	81.6	52.3	67.6
Other countries	53.1	51.6	53.9	. .	. .

Source: Food and Agriculture Organization of the United Nations.
[a] Greasy basis for production; actual weight for exports.
[b] Preliminary.

Synthetic fibre production has been developed in such countries as Argentina, Brazil, Chile, Colombia, Mexico and Peru, mainly since 1939. The total output of Latin America grew from 4,200 to 17,700 tons between 1937 and 1947, but was still small in relation to demand.

Before the war, the production of cotton textiles in Latin American countries was directed mainly to home consumption. Countries without textile industries met their requirements by imports from the United Kingdom, the United States and, in the 1930's, from Japan; the latter country sold large quantities of cotton piece-goods in Latin America at very low prices.

During the war, the cessation of imports from Japan and the reduction of imports from the United Kingdom and the United States not only gave considerable impetus to textile production in Latin American countries, but encouraged such countries as Brazil, Colombia and Mexico to become exporters of cotton goods, particularly to other countries in the region. Table 34 gives indices of cotton textile production in five Latin American countries; nearly all other countries in the region have also materially increased their output of cotton goods since before the war.

The resumption of trade with the United Kingdom and the United States since the war has re-

Table 34. Cotton Textile Production in Certain Countries of Latin America [a]
1947 and 1948
(1937 = 100)

Country	1947	1948 [b]
Argentina	257	257
Bolivia	219	197
Brazil	125	142
Chile	186	209
Mexico	118	125

Source: Statistical Office of the United Nations, except Brazil: data compiled by the secretariat of the Economic Commission for Latin America.
[a] For Argentina, production of cotton yarn; for other countries, production of cotton cloth.
[b] Provisional.

sulted in the reintroduction of textile goods into the Latin American market at prices with which many countries have found difficulty in competing. Although in the long run the countries in the region are likely to satisfy a growing proportion of their requirements from domestic production, foreign competition has had serious immediate effects on output, and, as shown in table 35, the decline in 1948 in the cotton textile exports of Brazil and Mexico, the two largest exporters in the region, has been drastic.

Table 35. Cotton Textile Production and Exports, Brazil and Mexico

1945, 1946, 1947 and 1948
(In thousands of metric tons) [a]

Country and item	*1945*	*1946*	*1947*	*1948* [b]
Brazil:				
Production [a]	1.6	1.5	1.2	1.4
Exports	25.8	15.2	17.2	6.9
Mexico:				
Production	47.7	47.2	45.6	48.0
Exports	14.6	14.7	9.7	5.8

Source: Production data for Brazil compiled by secretariat of Economic Commission for Latin America; for Mexico, by Statistical Office of the United Nations; exports from official trade statistics. Production and export data may not be strictly comparable because of differences in coverage.

[a] Except production in Brazil, in thousand millions of metres.

[b] Provisional.

As in the case of cotton, there has been considerable expansion in wool manufacturing during the past decade in several Latin American countries, particularly Argentina and Chile. In the former, which is a large exporter of raw wool, cleaning of wool has also become a significant industry.

Iron and steel

During the war and post-war years iron and steel production expanded in a few countries, particularly Brazil, Chile and Mexico; production data for these are given in table 36. All of these countries have developed their iron ore resources and have made more intensive use of scrap. Shortages of fuel, equipment and skilled labour as well as the relatively low supply of capital for investment, however, have limited the rate of expansion of iron and steel output. A modern steel mill has been operating in Brazil since 1946 and Chilean mills were near completion at the beginning of 1949. Further expansion is planned in these countries, as well as Argentina, Colombia and Peru.

The iron and steel output has been consumed largely by the building industry and has also permitted some expansion of local engineering industries in Brazil and Mexico, as well as in other Latin American countries, especially Argentina.

Table 36. Iron and Steel Production in Certain Countries of Latin America

Pre-war, 1947 and 1948
(In thousands of metric tons)

Country	*Pre-war* [a]	*1947*	*1948* [b]
Brazil:			
Pig-iron and ferro-alloys	98.1	480.7	521
Steel ingots and castings	76.4	387.0	481
Chile:			
Pig-iron	2.4	11.3	14
Laminated steel	5.9	29.9	37
Mexico:			
Pig-iron and ferro-alloys	88.0	337.5	. .
Steel ingots and castings	15.7	321.5	269

Source: Statistical Office of the United Nations and other official statistics.

[a] Brazil, 1937; Chile, 1938; and Mexico, 1937 for steel and 1936, for pig-iron.

[b] Provisional.

Building materials

The production of building materials has expanded throughout Latin America during the past decade in response to the growing requirements of public works projects, residential building activities in the towns and factory construction. Thus, between 1937 and 1947, the production of cement increased to 130 per cent of the pre-war volume in Argentina, and to approximately 210 per cent of pre-war output in eleven other countries of Latin America. Data for 1948 indicate further increases in cement production in several countries.

On the other hand, although Latin America has larger forest resources than any other land area of comparable size in the world, there has been relatively little progress in the production of lumber. Lumber industries are being developed in Brazil and a few other countries; some advance has been made in the sawing of logs for domestic consumption and for export to other countries in the region and even to Europe. Shortage of other forms of fuel, however, has led to the continued use for fuel of over 90 per cent of Latin American roundwood production.

MINING

The general index of mining production in Latin America, as shown in table 37, was 41 per cent above pre-war in 1948, owing primarily to the high demand for raw materials from the United States and Europe. At the same time domestic consumption of mineral products in Latin America has also increased with general industrial progress.

Fuels showed the largest increase in production; in 1948 output was over twice that of pre-war. Metal production has also been generally higher than before the war, though in some cases below war-time peaks. The production of precious metals, on the other hand, has declined during the post-war period and in 1948 was less than two-thirds of pre-war output.

Table 37. Mining Production in Latin America

1945, 1946, 1947 and 1948
(1937 = 100)

Item	*1945*	*1946*	*1947*	*1948* [a]
General index ..	120	121	133	141
Fuel	145	147	187	206
Oil	145	168	188	208
Coal	141	137	142	147
Iron ore	39	81	117	166
Non-ferrous metals	124	101	114	114
Copper	115	95	105	107
Tin	158	141	125	140
Lead	100	75	108	97
Zinc	160	120	173	160
Precious metals	79	67	68	64
Silver	74	57	69	63
Gold	85	79	68	65
Fertilizer	98	116	115	128

Sources: Statistical Office of the United Nations and data compiled by the secretariat of the Economic Commission for Latin America.
[a] Provisional.

Petroleum

The greatest advance over pre-war production levels has occurred in petroleum, the most important mineral product in Latin America in terms of value. In Venezuela, which now produces four-fifths of the total output of Latin America, petroleum production began to expand in 1944, and by 1948 was 250 per cent of pre-war, as shown in table 38. Elsewhere—in Argentina, Colombia and Mexico—production was also higher than pre-war, though there has been some decline in Peru. Increased Latin American production of crude petroleum during the post-war period has occurred mainly as a result of very large investments in Venezuela and other countries by oil companies of the United States, the United Kingdom and the Netherlands. United States investments in the Latin American petroleum industry during 1947 alone amounted to $263.3 million, of which $117 million consisted of sales of tankers by the United States Maritime Commission to foreign-flag operators controlled by American companies or residents.

In addition to more intensive exploitation of existing oilfields, new sources of supply are being explored and gradually developed in several countries of the region, including Argentina, Bolivia, Brazil and Ecuador. Difficulties in obtaining certain types of equipment appear to have retarded increases in production in some of these countries.

Table 38. Crude Petroleum Production in Latin America

1937, 1947 and 1948
(In millions of metric tons)

Country	*1937*	*1947*	*1948* [a]
Total	42.2	79.1	87.5
Argentina	2.2	3.1	3.3 [b]
Colombia	2.8	3.5	3.4
Mexico	6.7	8.0	8.4
Peru	2.3	1.7	1.9
Venezuela	27.8	62.4	70.1
Other countries	0.4	0.4	0.4

Source: Statistical Office of the United Nations.
[a] Provisional figures.
[b] Based on four months.

Coal

Only a small part of Latin America's coal requirement is produced domestically and the region continues to import most of its supply from overseas. There was some increase in coal production in Brazil and Peru during the war, but little further increase since the resumption of imports of high quality coal from abroad.

Non-ferrous metals

Non-ferrous metals continue to rank next to crude petroleum in value of output of mineral products in Latin America. The general index of non-ferrous metal production reached its peak in 1943 at a level one-quarter higher than in 1937. A slackening in foreign demand for war purposes produced a sharp setback in 1946, from which there was some recovery in 1947 and 1948; war-time levels of production, however, were not regained. The development of bauxite resources in British and Dutch Guiana has been particularly striking; in 1947 these two colonies accounted for

about one-half of total world production of the commodity. The fact that Latin America's share in total world production of non-ferrous metals was somewhat higher in 1948 than before the war was due in part to lower production levels in other areas; this situation may change with progress in the restoration or development of resources elsewhere, particularly in Africa and Asia.

Iron ore

Iron ore production recovered rapidly in 1946 and 1947 after the war-time slump in output, and rose in the latter year to 17 per cent above the level of 1937. A further jump in output in 1948 brought the production level to two-thirds above pre-war. At the same time, a larger proportion of the iron ore supply was being processed within the producing countries themselves and a correspondingly smaller proportion was exported abroad.

Chile continued to be the largest producer of iron ore. Its pre-war output, approaching 1 million metric tons, was almost wholly exported to the United States. As a result of the war-time shortage of shipping, production was discontinued in 1943 and did not return to pre-war levels until 1947. In 1948, however, the level of output was nearly double that of pre-war, as shown in table 39. The largest relative gains in iron ore production were achieved by Brazil and Mexico, which more than doubled their production between 1937 and 1948 under the stimulus of acute shortages of imported ore and steel products during the war. This increase has enabled them to expand their exports and at the same time to increase their own domestic consumption. It has already been noted that iron and steel production in 1948 was much higher than pre-war in these countries, which have consequently made themselves less dependent on supplies from abroad.

Table 39. Iron Ore Production in Certain Countries of Latin America
1937, 1947 and 1948
(In thousands of metric tons of metal content)

Country	1937	1947	1948 [a]
Chile	930	1,056	1,650
Brazil	234	564	742
Mexico	90	226	236

Sources: Statistical Office of the United Nations and data compiled by the secretariat of the Economic Commission for Latin America.
[a] Provisional.

Some Latin American governments have taken active steps to develop iron ore production; the Governments of Brazil and Mexico have rendered assistance to the industry by giving financial aid, extending transport facilities and in other ways. The Governments of these countries and of Argentina and Chile have drawn up plans for still further increases in iron ore production and for associated expansion of metallurgical and engineering industries during the next few years.

Gold and silver

Gold and silver production accounted for nearly one-fourth of the total value of Latin American mineral output in 1937; gold mining was the chief natural mineral industry in Colombia, Nicaragua and certain other countries of the area. Since 1937 production has fallen to some two-thirds of the pre-war level, largely as a result of rising costs and lack of equipment, particularly for placer mining. Tables 40 and 41 summarize available data on gold and silver production and show that,

Table 40. Gold Production in Certain Countries of Latin America
1937 and 1947
(In kilogrammes)

Country	1937	1947
Brazil	6,340	5,440
Chile	8,480	5,250
Colombia	13,760	11,920
Mexico	26,320	14,450
Nicaragua	750	6,640
Peru	7,590	3,680
Venezuela	3,170	600

Source: International Monetary Fund, *International Financial Statistics.*

while the fall in silver production was distributed fairly uniformly, declines in the output of gold varied substantially from country to country; Nicaragua actually increased its gold production in 1947 ninefold as compared with pre-war.

Table 41. Silver Production in Certain Countries of Latin America
1937 and 1947
(In metric tons)

Country	1937	1947
Bolivia	294 [a]	193 [a]
Chile	58	23
Mexico	2,634	1,830
Peru	543	290 [a]

Source: Official statistics.
[a] Exports.

Transport

The inadequacy of transport facilties in Latin America continues to be one of the most important obstacles to economic progress in the region.

During the war, the number of motor vehicles was reduced as a result of the general scarcity of petroleum and inadequate maintenance and repair. Accordingly, the pressure on the railways increased, and the volume of freight and passenger traffic was much higher than pre-war. Owing to intensive utilization, the rate of deterioration of rolling stock and other equipment increased, so that by the end of the war replacement requirements were abnormally high.

RAILWAYS

Railway freight traffic has continued during the post-war years at substantially above the pre-war volume, as is shown in table 42; there has been a fairly general tendency, however, towards a levelling off in activity, and in some cases there have even been sharp declines.

Table 42. Railway Freight Traffic in Certain Countries of Latin America
1937, 1945, 1946 and 1947

Country	1937 (In millions of net ton-kilometres	1945 (as percentage of 1937)	1946 (as percentage of 1937)	1947 (as percentage of 1937)
Argentina [a]	13,080	133	128	119
Bolivia	996	. .	. .	. .
Brazil	5,404	138	120	. .
Chile	1,680	140	138	138
Colombia	288	183	200	192
Cuba [a]	720	195	187	195
Dominican Republic	2	260	250	315
Ecuador	46	224	250	245
El Salvador	373	144	144	169
Guatemala [b]	574 [b]	148	165	180
Mexico	5,376	149	155	161
Nicaragua	13	118	118	. .
Peru	287	140	144	146
Uruguay [b]	1,824 [b]	120	113	95
Venezuela [b]	341 [b]	156	148	125

Source: Secretariat of the Economic Commission for Latin America.
[a] Years ending 30 June.
[b] Data relate to tons carried.

Since the war, some Latin American countries have utilized part of their foreign exchange resources for purchases of railway transport equipment. Certain Latin American countries have planned large investments for the improvement of their railway systems; in particular, in Bolivia, Colombia and Mexico, extensions under way or planned in 1947 amounted to 70, 60 and 27 per cent, respectively, of the length of existing railway line installations.

In general, re-equipment and expansion of Latin American railway systems depend primarily on government support, since the investment required is on a very large scale and the relatively low profitability of the lines has not sufficed to attract private capital in the required amounts. Moreover, since most of the equipment needed has to be imported, progress in this field is also limited by availability of foreign exchange. Since the war, some Latin American countries, such as Brazil, Chile and Colombia, have obtained small loans from the United States Export-Import Bank of Washington for the purchase of equipment. Some countries have also included projects for railway development and modernization in their requests for loans to the International Bank for Reconstruction and Development.

HIGHWAYS

Little progress has been made in extending the highway and road system of the region. During the war, some Central American countries and Mexico received loans from the Export-Import Bank for the construction of sections of the Pan American Highway, but since the end of the war little has been done to complete this international road.

Information on commercial vehicle registrations in Latin America indicates that all fifteen countries for which data are available increased the number of their commercial vehicles by large percentages compared with pre-war; the average increase was about 130 per cent. Nevertheless, the region continues to be relatively undeveloped in this respect, as may be seen from the fact that Canada alone in 1947 had nearly as many commercial vehicles at its disposal as the entire Latin American region.

MARITIME TRANSPORT

Since the end of the war some Latin American countries have increased the size of their merchant fleets considerably. All the countries for which data are given in table 43, except Cuba, had appreciably larger merchant fleets in 1948 than before the war. Argentina, Mexico and Peru doubled or

trebled their pre-war tonnages, and Brazil, which has the largest South American merchant fleet, increased its shipping capacity by one-quarter. A very large volume of shipping, amounting to over 2 million tons, was recorded under the Panamanian flag in 1948, but the majority of this tonnage was foreign-owned.

Table 43. Gross Tonnage of Merchant Vessels of Certain Countries of Latin America [a]
1938 and 1947-48

Country	1938 [b] (In tons)	1947-48 as percentage of 1938
Argentina	290,000	197
Brazil	484,000	125
Chile	172,000	112
Cuba	27,000	70
Mexico	31,000	315
Peru	34,000	218
Venezuela	75,000	120

Source: Secretariat of the Economic Commission for Latin America.
[a] Vessels over 100 tons, excluding sailing vessels.
[b] Gross registered tons.

The inadequacy of seaport facilities has continued as perhaps the most important obstacle to the expansion of maritime transport in Latin America. The region possesses few natural harbours; the ports in existence are few in number, totally or partially artificial and generally without adequate facilities. Several countries have planned, and in some cases have already begun, to improve their seaports. Brazil plans the investment of $70 million during the period from 1949 to 1953 for the improvement of harbour facilities in nineteen of its principal ports. Other countries, such as Chile and Peru, have undertaken more limited projects. Chile, with the help of foreign loans, has begun the improvement of the port installation required for the steel plant under construction in the southern part of the country.

AVIATION

As is shown in table 44, civil aviation in Latin America has expanded rapidly since 1937. Air transport is particularly suited to topographical conditions in Latin America and war-time circumstances encouraged the shift from sea to air travel.

Table 44. Civil Aviation Activity in Latin America
1937 and 1947
(In thousands of kilometres flown) [a]

Country	1937	1947
Total	18,558	135,955
Argentina	330	10,018
Bolivia	646	2,095
Brazil	4,651	46,191
Chile	890	4,511
Colombia	3,105	21,614
Mexico	5,155	34,499
Peru	3,439	6,523
Venezuela	342	10,504

Source: Data compiled by International Civil Aviation Organization.
[a] For domestic and international scheduled services operated by companies registered in each country.

Inflationary Pressures

Inflationary pressures prevailed in Latin America from the beginning of the war to 1948, but more recently there have been signs that the rate of advance in prices and wages has slowed down.

In the early post-war period, export surpluses on trade account were increased in relation to income in a number of countries, such as Argentina, Brazil, Cuba and Venezuela. The deficits in the ordinary budgets were much higher than before the war in such countries as Argentina, Bolivia, Brazil, Colombia and Venezuela. In addition, most countries engaged in considerable expenditure on public investment projects. These expenditures, which did not enter into the regular budgets, were financed to a large extent by borrowing. Taking into account these "extraordinary" expenditures, the effective budget deficits were much higher than pre-war in practically all Latin American countries. The level of private investment was also generally higher, particularly in the field of residential building.

With the exception of Argentina, and probably of Colombia and Mexico, it appears that *per capita* private real income and consumption did not materially improve over the pre-war level.

Thus the increases in export surpluses, effective budget deficits and private investment, in relation to income, coupled in most instances with the failure of real private income *per capita* to rise materially, resulted in inflationary pressures which tended to increase profits and, with some exceptions, also to reduce real wages.

In 1947, important changes occurred in the nature of the inflationary pressures. In most countries, export surpluses on trade account were reduced or even replaced by import surpluses. The ordinary budget deficits were generally smaller than in 1946, chiefly as a result of increased revenue. In Argentina, Government profits from agricultural exports provided substantial extra-budgetary revenue. The expanded activity in residential construction also subsided in many instances.

On the other hand, in a number of countries there was a considerable increase in domestic investment by private business and government. This was in part covered by the growing imports of capital goods. In addition, satisfaction of the pent-up demand of upper income groups was made possible by imports of non-essential commodities.

On balance, the over-all inflationary pressure does not appear to have changed significantly in most instances. The change from export to import surpluses was largely accounted for by imports of investment goods and by the realization of pent-up demand for non-essential consumption goods. The effect of the reduction in the ordinary budget deficit and of the slackening in residential building was offset by the increase in domestic investment by business and government.

The supply of food improved somewhat, mainly as a result of better crops; this was a factor in mitigating the inflationary pressures to some extent. While prices generally continued to rise throughout 1947, the rate of increase in many instances was lower than in the preceding year. Money wages likewise rose and, in some instances, real wages are known to have increased somewhat.

The changes which occurred from 1946 to 1947 in the balance of trade of the Latin American countries were in large part reversed in 1948. Owing to foreign exchange difficulties, restrictions were generally imposed on imports of non-essential goods. Accordingly, the import surpluses on trade account of the preceding year generally disappeared or were even changed into small export surpluses. Just as the increase of imports of non-essential goods did not significantly reduce the inflationary pressure in 1947, so the reduction of these imports in 1948 did not materially add to inflationary pressure.

The decline in private residential construction continued, but it appears, again, to have been offset by an increase in loan-financed government investment.

The supply of food generally increased after the favourable harvest of 1947/48 and because of increased imports of food by a number of food deficit countries, such as Bolivia, Cuba, Peru and Venezuela. The supply of other consumer goods, in particular textiles, also showed an improvement over 1947.

The net effect of these changes appears to have been to relax inflationary pressures to some extent in most countries of Latin America in 1948. While prices and wages continued to increase, the rate of advance in a number of countries has shown a tendency to slow down. The data in table 45, which gives index numbers of the cost of living in Latin America during recent years, reflect this tendency.

Table 45. Cost of Living Indices for Certain Countries of Latin America
1946, 1947 and 1948
(1937 = 100)

Country	1946		1947		1948	
	First half	*Second half*	*First half*	*Second half*	*First half*	*Second half*
Argentina (Buenos Aires)	155	162	175	186	189 [a]	. .
Bolivia (La Paz)	516	551	622	662	710	725
Brazil [b] (São Paulo)	259	293	326	330	362	360
Chile (Santiago)	261	304	360	395	425	466
Colombia (Bogota)	201	213	239	251	277	292
Cuba [c]	199	226	243	255	273	280 [d]
Mexico [e] (Mexico City)	290	326	344	351	362	377
Paraguay [f] (Asuncion)	232	239	295	324	375	409 [g]
Peru (Lima)	193	206	231	285	330	345
Uruguay (Montevideo)	150	157	174	180	177	180
Venezuela [h] (Caracas)	146	153	161	183	207	208

Source: Statistical Office of the United Nations.
[a] First 3 months of 1948 only.
[b] 1939 = 100.
[c] Base July-December = 100; cost of food only.
[d] 4 months.
[e] Cost of food, clothing, coal and soap.
[f] 1938 = 100.
[g] 1 month.
[h] Cost of food, coal and soap.

International Trade and Balance of Payments

VOLUME AND DIRECTION OF TRADE

Before the war, Latin American countries accounted for 8 to 9 per cent of the total value of world exports, as shown in table 46. By 1946 this proportion had risen to over 13 per cent, but at least part of this increase was due to temporary contractions elsewhere, particularly in Europe and the Far East. In the following year, the Latin American share in the total value of world exports declined to somewhat over 12 per cent, since world exports as a whole expanded faster than those of Latin American countries. In 1948 this trend appears to have continued.

Table 46. Share of Latin America in World Exports
1937, 1938, 1946 and 1947
(In millions of dollars at current prices)

Year	*Latin American exports*	*Percentage of total world exports*
1937	2,350	9.0
1938	1,770	7.8
1946	4,460	13.6
1947	5,900	12.2

Source: Statistical Office of the United Nations and secretariat of the Economic Commission for Latin America.

Although complete data are not available for 1948, preliminary information indicates that the value of total Latin American exports in that year was higher than in 1947, and that the value of imports decreased by about 10 per cent, as a result of the current depletion of foreign exchange reserves in the majority of the Latin American countries. Nevertheless, it is possible that the Latin American share in world trade may continue to be larger than before the war, since—although the region has been able to satisfy a somewhat higher proportion of its needs for foodstuffs, textiles and even iron and steel products from domestic production than before the war—its requirements for semi-manufactured goods and equipment have substantially increased. Similarly, high levels of demand in the United States and Europe have encouraged the resumption of some food and almost all raw material exports, particularly oil, at or above pre-war levels. Some Latin American countries have, moreover, become net exporters of other goods, particularly processed foodstuffs and textiles.

The United States, Canada and Europe together account for the overwhelming share of Latin American trade, both as importers and as sources of supply. Thus, for example, in 1947 these areas took 86 per cent of total Latin American exports. In 1938, as shown in table 47, Latin America had a large export surplus on trade account with Europe and small deficits with the United States and Canada. Large post-war requirements by Latin America for goods which had not been available during the war resulted in a reversal of this position in 1947; the import deficits with the United States and Canada outweighed the export surplus with Europe by nearly $400 million. In 1948, however, as a result of a 20 per cent drop in the value of imports from the United States—compensated only in part by increased imports from Europe—together with a trade surplus with Canada, Latin America restored its position as a net exporter on trade account to this group of countries as a whole. The relatively strong over-all trade position of Latin America in 1948 was complicated by the fact that, to the extent that payments by European countries were not made in gold or dollars, inconvertible currencies were earned in the trade surplus with Europe. Thus Latin American dollar reserves continued to fall in 1948.

In the pre-war years, Europe took 56 per cent

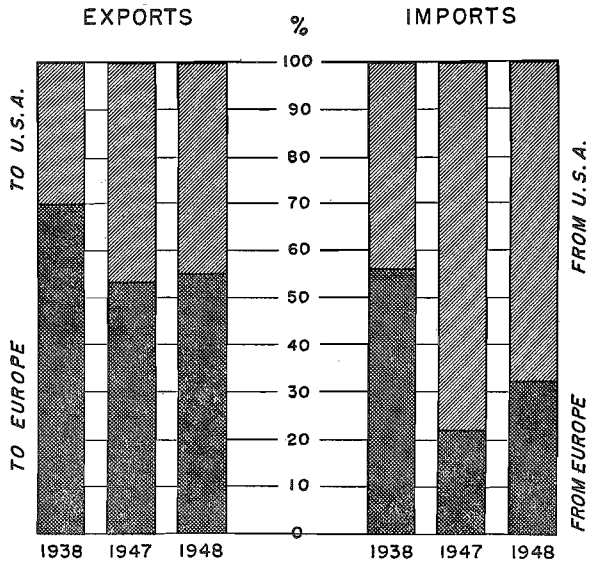
Table 47. Trade of Latin America with Europe, United States and Canada
1938, 1947 and 1948
(In millions of dollars at current prices)

Country of destination or origin	*Latin American exports*			*Latin American imports*		
	1938	*1947*	*1948*	*1938*	*1947*	*1948*
Europe	1,130	2,588	3,021	731	1,137	1,567
United States	493	2,293	2,447	572	4,077	3,277
Canada	39	221	289	42	278	243
Total for above	1,662	5,102	5,757	1,345	5,492	5,087

Source: Secretariat of the Economic Commission for Europe, *Economic Survey of Europe in 1948* (Geneva, 1949).

of Latin American exports and provided 42 per cent of the region's imports, whereas the United States market absorbed about 24 per cent of Latin America's exports, while providing 32 per cent of its imports. During the war, the share of the United States in the foreign trade of Latin America increased sharply. More than 50 per cent of total Latin American exports went to the United States, which also supplied the region with more than 50 per cent of its imports, whereas trade with Europe was greatly reduced. The resumption of trade between Latin America and Europe began gradually after 1945. During 1947 and 1948, Latin America exported more to Europe than to the United States, but the latter country has continued to supply more goods to Latin America than has Europe, as shown in chart 11.

Chart 11. Percentage Distribution of Latin America's Trade with Europe and the United States



The relative importance of the various Latin American countries in the total trade of the area changed somewhat during the post-war years. Argentina has lost ground relatively to Brazil and Venezuela. Exports of Cuba, which formerly were sixth in order of importance in the area, ranked fourth, exceeding the exports of Chile and Mexico. These six countries together accounted for 70 per cent of total Latin American exports in 1947, as compared with 74 per cent in 1937. Colombia and the Dominican Republic have improved their positions relative to Uruguay and Peru.

Latin American countries have tended in recent years to export some of their traditional products in a more highly processed form: refined metals or concentrates instead of ores, clean wool instead of raw wool, flour instead of wheat and oil instead of oil-seeds.

Certain changes have also taken place in the composition of imports. Imports of semi-manufactured goods, machinery and equipment have increased, and imports of finished goods and luxuries have tended to be reduced. Import controls have been used to give encouragement and direction to these changes.

TRADE WITH EUROPE

Before the war, Europe had a deficit in its trade with Latin America—amounting to approximately $400 million in 1938. This deficit was offset by Europe's invisible earnings, resulting largely from shipping services and returns on investment. During both 1947 and 1948, the total European deficit had increased to nearly $1,500 million, well over three times that of pre-war in current prices, but in the post-war years European losses of foreign investments, together with the reduction in Europe's shipping services to Latin America, greatly diminished the relative importance of the offsetting invisible items in the balance of payments.

The large European post-war deficit with Latin America has therefore been financed to a large extent through drawings on European gold stocks and dollar balances, liquidation of other external assets—such as the repatriation of United Kingdom titles to the Argentine railways—and by loans and credits granted by international agencies and certain countries, including such Latin American countries as Argentina and Brazil. The credits granted by Argentina and Brazil were part of the bilateral agreements made by these countries with European governments. Many of the trade and payments agreements met with difficulties in 1948 because credits had been fully used and some Latin American countries were accumulating large balances in inconvertible currencies. In some cases, fresh credits were extended. Argentina, for example, raised Czechoslovakia's credit allocation, and agreed that balances should be settled annually

in goods instead of in dollars. In other cases, credit conditions were tightened, and provision was made to use accumulated balances immediately for the purchase of goods. Thus Brazil arranged for the purchase of petroleum refineries from balances with France and Czechoslovakia.

The dollar shortage of many Latin American countries has encouraged the expansion of trade with Europe, even though in many cases goods were imported at prices higher than would have had to be paid in the United States. During 1948, the dollar value of exports from Latin America to Europe showed an increase of almost 20 per cent over the 1947 level, and the value of imports from the latter region rose almost 40 per cent. These increases in the value of trade were due partly to higher prices, but they also reflected some expansion in the volume of exports and—still more—of imports.

As shown in table 48, the United Kingdom continued in the post-war years to have a larger volume of trade with Latin America than any other European country, while France rose from third to second place after the collapse of Germany. Latin American trade with Italy, Spain and Switzerland was much larger than before the war. The United Kingdom and United States zones of Germany increased imports from Latin America from $29 million in 1947 to $119 million in 1948 but, even in the latter year, they were still far below pre-war, in both volume and value, and exports were almost negligible.

Table 48. Trade of Latin America with Europe and Certain European Countries
1938, 1947 and 1948
(In millions of dollars at current prices)

Country [a]	Latin American exports			Latin American imports		
	1938	1947	1948	1938	1947	1948
Total	1,130	2,588	3,021	731	1,137	1,565
United Kingdom	416	1,100	1,136	202	409	604
Germany	235	29 [b]	119 [b]	220	. .	10 [b]
France	101	300	296	57	106	123
Netherlands	67	162	203	30	32	53
Belgium Luxembourg	60	157	190	54	110	157
Sweden	50	158	129	20	123	102
Italy	40	130	256	43	99	214
Switzerland	20	115	152	20	122	110
Czechoslovakia	14	26	43	16	26	68
Spain	7	136	175	4	39	31
Rest of Europe	120	275	322	65	71	93

Source: Secretariat of the Economic Commission for Europe, *Economic Survey of Europe in 1948* (Geneva, 1949).
[a] In order of value of pre-war imports from Latin America.
[b] United Kingdom and United States zones only.

The resumption of normal trade between Latin America and Europe may depend to a large extent on the ability of Europe to export the kind and quantity of goods required by Latin America—in particular, capital goods and equipment of all kinds. According to the plans of the members of the Organisation for European Economic Co-operation, western Europe expects in the future to increase its exports to Latin America and to maintain a high level of imports from that region. For 1952/53 the OEEC countries anticipate exports to South America[1] valued at $2,000 million, while imports of merchandise from the same region are expected to amount to $2,100 million. If this objective is to be realized, western Europe will be compelled to improve the competitive position of its goods compared with those of the United States, and to provide more capital goods and considerably less consumer goods, such as textiles, Latin American imports of which are expected to decline, rather than to increase.

TRADE WITH UNITED STATES

In 1947 Latin American imports from the United States were higher than ever before; they totalled $4,077 million in value. The high level of imports was due to the deferred demand for

[1] The trade of countries of the Organisation for European Economic Co-operation with South America accounts for approximately 85 per cent of their trade with Latin America as a whole.

goods which the Latin American countries had been unable to import during the war years and was made effective by foreign exchange reserves accumulated during the period. Latin American exports to the United States in 1947 amounted to $2,293 million. Thus in 1947 Latin America had a deficit of $1,784 million in its trade with the United States. The terms of trade in 1947, based on current prices, were in general more favourable to Latin America than in the 1930's, except in the case of the predominantly mineral-exporting countries. About one-half of Latin America's imports from the United States in 1947, however, were paid for with dollars accumulated in previous years, when the prices of Latin American commodities had been much lower and dollar purchasing power much higher.

Table 49 shows that foreign exchange reserves increased in all countries from 1939 to 1946. Since then, however, the trend has not been uniform. Venezuela, Cuba and certain other Central American republics have further added to their holdings because they have been able to increase exports to the dollar area in amounts larger than their expenditures in that area. The remaining Latin American countries reduced their gold and dollar holdings chiefly as a result of their large import surpluses with the United States. The table understates the seriousness of Latin America's dollar problem since gold and convertible currencies represented a smaller proportion of total reserves in December 1948 than in December 1946.

Table 49. Gold and Foreign Exchange Holdings of Latin America [a]

1938, 1946 and 1948

(In millions of dollars)

Country	*1938*	*1946*	*1948*
Total	768	3,929	2,703
Argentina	426	1,696	613 [b]
Brazil	59	760	757
Chile	33	69	53
Colombia	27	176	84
Cuba	2	266	317
Guatemala	9	47	43
Mexico [c]	28	180	44 [d]
Peru	21	35	44
Uruguay	73 [c]	291	241
Venezuela	63	252	386
Other countries	27	157	121

Source: International Monetary Fund, *International Financial Statistics,* April 1949. Figures for December of year stated.

[a] Holdings of central banks, treasuries and other governmental institutions.

[b] November 1948.

[c] Gold holdings only.

[d] August 1948.

These developments resulted in the tightening of import regulations and exchange controls throughout the area after the middle of 1947, except in the countries which had maintained or increased their gold and dollar reserves. As a consequence, Latin American imports from the United States were 20 per cent lower in 1948 than in 1947. With this reduction in imports there was a small increase in the value of exports; the deficit in the balance of trade with the United States was thus reduced in 1948 to $830 million, or less than one-half of the corresponding deficit in 1947.

The considerable reduction in Latin American imports from the United States retarded the execution of programmes for economic development. One of the most important of Latin America's current trade problems derives from the fact that the region can replace its imports of equipment and other goods from the United States—and thereby reduce its dollar deficit—only by increasing its imports at higher prices from Europe; while if Latin America continues to import lower priced goods from the United States, it is dependent for the financing of its import surplus from the United States on the degree to which European countries can pay in hard currencies for their surplus of imports from Latin America.

INTRA-REGIONAL TRADE

Intra-regional trade before the war accounted for over 6 per cent of the total trade of Latin American countries. During the war years there was a marked increase in intra-regional trade. The difficulties experienced in obtaining products formerly imported from Europe and the United States compelled many countries to look for supplies from Latin American sources and, at the same time, encouraged some countries in the region to increase their own production, not only for internal consumption but for export as well.

The increase in the proportion of imports derived from other Latin American countries was general for almost all countries of the area. Trade consisted mainly in foodstuffs, minerals and fuels, and also in manufactured goods which, for the first time, made their appearance in intra-regional trade to a significant extent.

It is still too early to predict how far the in-

crease in intra-regional trade may represent a permanent trend in Latin America or a temporary war-time phenomenon. Such statistical information as is available about the post-war years seems to show that some of the progress achieved beween 1938 and 1945 has been maintained; in 1947 intra-regional trade accounted for over 10 per cent of the total trade of the area.

The fall in the relative importance of intra-regional trade in the post-war period has been due to such factors as high prices of goods manufactured in the region, inadequate inland transport facilities and currency problems. The dollar shortage has had a depressing effect not only upon trade with the United States but also on intra-regional trade, a large part of which is carried out on a dollar basis.

Chapter 2

AUSTRALIA AND NEW ZEALAND

A. AUSTRALIA

In 1948 [1] employment, output and income in Australia were higher than ever before. The process of industrial development, which had been under way before the war and had been considerably accelerated during the war and post-war years, continued throughout 1947 and 1948.

The increase in employment and in industrial production that took place in 1948, together with an exceptional harvest and an improvement in the terms of trade, resulted in a 12 per cent increase in the gross national product in constant prices. Personal consumption increased by about 15 per cent.

Although in 1948 many post-war shortages were eliminated, the Australian economy continued to experience considerable strain due to shortages of labour as well as of coal and steel.

Inflationary pressures were reduced in 1948, as compared to 1947, as a result of improvement in the supply position and of reduction in pent-up demand. The rise in costs and prices which continued in 1948 and during the first quarter of 1949 reflected primarily the gradual readjustment of the internal price level to increasing world prices.

The gross national product in 1948 was 42 per cent above the pre-war level, in constant prices. Total personal consumption in constant prices was 33 per cent, and *per capita* consumption 22 per cent, above pre-war. Industrial employment was 40 per cent higher than before the war. During the same period, the net value of production of factories rose from 49 per cent of total production to a little over 54 per cent and manufacturing employment rose from 28 per cent of total employment in 1939 to about 38 per cent in 1948. The relative share of manufactured goods in exports rose from about 5 per cent to about 15 per cent.

The volume of exports fell 8 per cent from 1947 to 1948, to a level about equal to pre-war. The volume of imports, on the other hand, which had lagged behind exports during the earlier post-war years, jumped sharply in 1948 and was 9 per cent higher than pre-war. The quantum of trade has thus declined in relation to gross national product, by comparison with pre-war years. Nevertheless the value of imports and exports has increased considerably in relation to gross national product, as a result of high prices in international trade.

There has been a fall in the relative share of trade with the United Kingdom, compared with pre-war years, and an increase in the share of the United States, as well as in the share of India and other members of the British Commonwealth.

Australia has emerged in the post-war period with a more diversified economy, a higher level of industry and a greater degree of self-sufficiency in many essential manufactured goods. Exports of wool, wheat and meat, however, continue to provide a large proportion of the national income of Australia and the Australian economy thus continues to be vulnerable to changes in the world demand for these three commodities.

Supply of Foodstuffs

The outstanding economic development in Australia in 1948 was the exceptionally good harvest resulting primarily from favourable weather conditions. The output of wheat rose to one-third above the pre-war average, as shown in table 50. Estimates for 1948/49 indicate that production may be somewhat lower than in the previous year, but still appreciably higher than pre-war.

The area under crops, which during the war had been considerably reduced, mainly on account of the shortage of labour, was larger in 1947/48 than before the war. The area under wheat, by far the most important grain crop, had fallen from 13.4 million acres before the war to 7.8 million in 1943/44 but by 1946/47 it had risen to ap-

[1] Most of the annual statistics in this section relate to the twelve-month periods ending 30 June.

proximately the pre-war level and in 1947/48, to about 14 million acres.

Table 50. Production of Selected Crops in Australia
1937-39, 1946/47 and 1947/48

Crop	1937-39	1946/47	1947/48
Wheat (millions of bushels)	164	117	220 [a]
Potatoes (thousands of long tons)	360	544	560
Sugar cane (thousands of long tons)	5,966 [b]	4,026	4,418

Source: Official statistics.
[a] For 1948/49, production of wheat estimated at about 190 million bushels.
[b] 1938/39 and 1939/40.

The output of dairy products and meat was higher in 1947/48 than during the previous year, although meat and butter were still below pre-war production levels as shown in table 51. During the second half of 1948, there was a further increase in the output of all dairy products and meat.

The numbers of livestock had fallen considerably in 1944 and 1945 as a result of severe drought. By 1947 the cattle and pig populations were back to about the pre-war level, but the number of sheep was still below pre-war.

Agricultural output was stimulated in 1947/48 by a high level of domestic demand and, still more, by oversea demand. The progress of agricultural production was, however, retarded by shortages of labour, fertilizers and farm equipment, which were in part attributable to restrictions on imports from the dollar areas. Although the supply of capital goods for agricultural purposes was increasing in 1947/48, there remained a considerable need for replacement of worn-out machinery.

With the exception of meat and oils and fats, food consumption *per capita* in Australia was well above the pre-war level, as shown in table 52. The index of total food consumption *per capita* in 1946/47 was 102 per cent of pre-war and increased further in 1947/48.

Table 51. Meat, Dairy Products and Wool Production[a] in Australia
1946/47 and 1947/48
(1937-39 = 100)

Product	1946/47	1947/48
Milk	95	102
Butter	77	86
Cheese	171	167
Meat	91	96
Wool	103	106

Source: Statistical Office of the United Nations and other official statistics.
[a] Based on monthly averages, except in the case of wool.

Table 52. Civilian Per Capita Consumption of Selected Foodstuffs in Australia
1937-39, 1946/47 and 1947/48
(In pounds per annum)

Commodity	1937-39	1946/47	1947/48
Milk and milk products [a]	39.2	47.8	49.0
Meats	253.2	201.7	215.5
Poultry [b]	16.8	18.2	19.4
Oils and fats	36.5	30.9	31.1
Grain products	204.6	217.6	213.9
Potatoes	106.3	134.8	133.5
Sugar and syrups	123.3	121.6	131.8
Fruits	180.4	199.7	219.0

Source: Official statistics.
[a] In milk solids.
[b] Poultry, game, rabbits and fish.

Industry

Industrial production in Australia was considerably above the pre-war level in 1947 and, as indicated in table 53, a further increase took place in almost all groups of industry in 1948, with the significant exception of steel.

The progress of industrial development in Australia has been hampered by shortages of labour and of certain primary materials, particularly coal. Although there continued to be a high level of demand for industrial goods throughout the year ended 30 June 1948, the rate of increase of industrial production during that year was lower than in 1947, and many industries worked below capacity.

Non-agricultural employment increased throughout the year 1948, although the rate of increase was much slower than in 1947. The number of employed rose from 2.1 million in June 1946 to 2.3 million in June 1947 and to 2.4 million in June 1948. The main sources of the increase in employment in 1948 were immigration and a continued decrease in unemployment—to very low levels. The total non-agricultural labour force may be estimated at about 35 per cent above pre-

Table 53. Production of Primary Materials in Australia
1947 and 1948 [a]
(1937-39 = 100)

Item	1947	1948	1948 Second half
Fuels:			
Coal	120	126	139
Electricity	173	192	209
Minerals:			
Pig-iron	116	125 [b]	109
Steel	116	113 [c]	95
Lead	76	78	94
Zinc	101	107	122
Building materials:			
Timber	149	156	176 [d]
Cement	108	121	131
Bricks	73	85	96

Source: Statistical Office of the United Nations and other official statistics.
[a] Years ended 30 June; based on monthly averages.
[b] 1943 index, 159.
[c] 1943 index, 150.
[d] Average for July, August and September 1948.

war. Particularly striking was the increase in employment in manufacturing, from 540,000 in 1939 to 830,000 in November 1948. Further additions to the labour force depend on immigration, which is encouraged by the Government. During the nine months ended September 1948 there was a net immigration into Australia of 31,000 persons. Government plans provide for the admission of 140,000 immigrants to Australia during 1949.

The output of coal during the second half of 1948 was 39 per cent above the pre-war average, and the production of electricity was more than doubled over the same period. Notwithstanding these increases, the shortage of fuel has continued to be a significant bottle-neck factor in limiting the expansion of industrial output. The shortage of coal has in turn affected the output of steel, which declined during the year ended 30 June 1948, and again during the second half of 1948, when production was at a rate 5 per cent lower than in the pre-war period.

The output of timber and cement during 1948 was 56 per cent and 21 per cent, respectively, above pre-war levels; further increases took place during the second half of 1948. Building activity has nevertheless been impeded by shortages of labour, steel and bricks and has increased only slightly during 1948.

Manufacturing activity has not been held back by labour shortages to the same extent as mining and heavy industry. The considerable expansion in manufacturing since pre-war years is reflected in the fact that the number of wage and salary earners in factory employment increased by about two-thirds between July 1939 and November 1948. Previously established industries expanded considerably, and new industries, such as the aircraft, shipbuilding, machine tool, chemicals, plastics and optical industries, were established. The share of manufactures in exports rose from 5.7 per cent in 1939 to 15.2 per cent in 1947.

Table 54 provides data on the pre-war and post-war output of certain manufactured goods in Australia. The increase in the production of cotton fabrics to some two and one-half times the pre-war level has been particularly noteworthy. The output of other consumer goods has also increased appreciably in relation to pre-war years.

Table 54. Production of Selected Consumer Goods in Australia
1939 and 1947 [a]

Commodity	1939	1947
Cotton fabrics (square yards)	7,945 [b]	21,928
Wool fabrics (square yards)	31,630	38,125
Footwear, leather (pairs)	17,541	19,497
Radios (thousands)	163	261
Refrigerators (thousands)	29.5	68.5 [c]

Source: Statistical Office of the United Nations and other official statistics.
[a] Years ended 30 June.
[b] 1940.
[c] 112,700 in 1948.

National Income

The gross national product of Australia has increased considerably over pre-war levels. Changes in the size and composition of the gross national product in money terms are shown in table 55.

Although an adequate deflating factor for the gross national product is not available, an estimate of changes in real product can be made by deflating the income figures by the cost of living index. Thus deflated, the gross national product in constant prices in 1948 was 12 per cent above the previous year and 42 per cent above pre-war. On a *per capita* basis, the increase in 1948 was 8 per cent above 1947 and about 30 per cent above pre-war.

Table 55. Gross National Product of Australia 1940, 1947 and 1948 [a]

(In millions of Australian pounds in current prices)

Item	1940	1947	1948
Gross national product	973	1,541	1,818
Indirect tax less subsidies	37	167	172
Allowances for depreciation, etc.	47	57	63
Net national income	889	1,317	1,583
Wages and salaries	448	740	871
Pay of armed forces	13	31	23
Surplus of Government undertakings	35	30	22
Income of unincorporated business, farmers, professions, etc.	187	305	450
Company incomes, rent and interest	206	211	217

Source: Commonwealth of Australia, *National Income and Expenditure 1947/48* (1948).

The data contained in *National Income and Expenditure 1947/48* were rearranged to correspond with the usual concept of national income, representing income earned by residents; the Australian concept represents income produced by residents.

[a] Years ended 30 June.

The structure of the demand for gross national product is shown in table 56.

The major changes since 1940 in the structure of demand for the gross national product consisted of an increase in the relative share of domestic and foreign investment and a decline in the share of personal consumption.

The increase in the gross national product in constant prices during 1948, compared with the previous year, was due to increased employment, higher industrial output, increased agricultural production and the favourable turn in the terms of trade that occurred during the year. There was a drop in Government expenditure which resulted mainly from a reduction in war expenditures. The volume of private investment remained stable in real terms. There was, however, an important change in the composition of gross private investment. While in 1947 a considerable part of investment was accounted for by replenishment of stocks depleted during the war, increases in stocks in 1948 accounted for only a very limited proportion of investment, while the major part represented new additions to capital equipment and buildings. The share of gross private investment in the national product fell in 1948.

Table 56. Gross National Expenditure of Australia 1940, 1947 and 1948 [a]

Item	1940	1947	1948	1940	1947	1948
	(In millions of Australian pounds in current prices)			(In percentage of gross national expenditure)		
Gross national expenditure	973	1,541	1,818	100.0	100.0	100.0
Government expenditure on goods and services	152	254	239	15.6	16.5	13.1
Gross private investment	150	330	355	15.4	21.4	19.5
Net foreign investment	—25	—41 [b]	16 [b]	—2.6	—2.7	0.9
Personal consumption	696	998	1,208	71.5	64.8	66.4

Source: Commonwealth of Australia, *National Income and Expenditure 1947/48.*

[a] Years ended 30 June.

[b] If Government payments abroad, which in 1947 were equal to about £A44 million (£A2 million in 1948), are added to net foreign investment, it would appear that this adjusted item was, both in 1947 and 1948, much higher than before the war; Government expenditures would, of course, be correspondingly reduced.

Inflationary Pressures

War-time controls were retained in 1947 and in 1948. Rationing was limited to a few essential commodities, but a wide range of goods was subjected to price controls. The price control system was supplemented by stabilization subsidies on potatoes, milk and wool for domestic consumption and on coal, tea and a few other essential imports. The pressure of rising costs, due largely to rising import prices, resulted in repeated upward price revisions by the controlling authorities.

Considerable inflationary pressure, associated with shortages of specific commodities, made it necessary to retain the controls. The net non-consumption payments,[1] details of which are given in table 57, were higher than before the war in relation to gross private income.

The increase in the net non-consumption pay-

[1] Net non-consumption payments are defined as the sum of gross private investment, export surplus and budget deficit, all of which generate private incomes which are not derived from the current production of goods and services available for personal consumption.

Table 57. Net Non-Consumption Payments and Gross Private Income of Australia 1940, 1947 and 1948 [a]

Item	1940	1947	1948	1940	1947	1948
	(In millions of Australian pounds in current prices)			(Percentage of gross private income)		
Gross private income (after taxes)	860	1,285	1,547	100.0	100.0	100.0
Consumption expenditure	696	998	1,208	80.9	77.7	78.1
Net non-consumption payments	164	287	339	19.1	22.3	21.8
Gross private investment	150	330	355	17.4	25.7	22.9
Budget deficit	39	−2	−32	4.5	−0.2	−2.1
Net foreign investments	−25	−41	16	−2.9	−3.2	1.0

Source: Commonwealth of Australia, *National Income and Expenditure 1947/48.*

[a] Years ended 30 June.

ments in relation to income in 1947 and 1948, as compared to 1940, was due to an increase in the relative share of gross private investment, which was only partly offset by the changes which occurred in the remaining components of these payments.

In 1948 the ratio of net non-consumption payments to income was slightly reduced, as compared to the previous year, on account of a decline in domestic investment and an increase in the budget surplus which was not entirely offset by a considerable increase in the share of net foreign investment.[1]

The proportion of income which tended to be spent on consumption was influenced during the post-war period by various conflicting factors. There existed after the war a substantial pent-up demand for durable and semi-durable consumer goods which tended to increase the proportion spent out of current incomes. The redistribution of income in favour of wage and salary earners achieved under the system of controls also tended to increase this proportion. On the other hand, the increase in real private income and in a real *per capita* consumption tended to reduce the proportion of total income spent on consumption. On balance, it appears that the proportion of income which tended to be spent on consumption was probably at about the pre-war level in 1947 but this proportion fell significantly in 1948.

The relative share in gross private income of wage and salary earners, inclusive of the pay and allowances of the armed forces and of social service payments, has increased at the expense of profits, rent and interest in relation to pre-war. This increase in the share of lower income groups, in spite of inflationary pressures, was made possible by price controls and the rationing of essential goods. Wage rates were linked to the cost of living and in 1948 were about 15 per cent above pre-war in real terms.

In 1948 the relative share of labour, which had been 50.1 per cent in 1940, fell from 57.1 per cent to 55.1 per cent. This reduction was due primarily to a fall in the relative shares of pay and allowances of men in the armed forces and social service benefits. The relative share of rents, interest and corporate incomes, inclusive of depreciation, fell also, while the share of the incomes of unincorporated businesses, farms and professions, rose from 20.1 per cent in 1947 to 25.1 per cent in 1948. The latter rise was due for the most part to a very large increase in the incomes of farmers, which resulted mainly from increased export prices.

Changes in real income and in real consumption *per capita* are shown in table 58.

Real consumption *per capita,* which in 1946 was below the pre-war level, reached and surpassed this level in 1947. Food consumption in 1947 was about 2 per cent above the pre-war level. During 1948, real income and real consumption *per capita* increased by 11 and 13 per cent, respectively, to levels 26 and 22 per cent above pre-war. Since the redistribution of income which took place during the year did not appreciably affect consumption in relation to income, and pent-up demand was being gradually reduced and real income in-

[1] The figures in table 57 are inclusive of Government payments abroad, which were unusually high in 1947. If these payments are deducted from the budget deficit and added to the net foreign investment, the relative share of the budget deficit would be −3.6 per cent in 1947 and −1.9 per cent in 1948 and the share of the net foreign investment would change to +0.2 per cent in 1947 and +0.9 per cent in 1948. It thus appears that the deflationary effect of the budget surplus was smaller in 1948 than in 1947. Moreover, net foreign investment had an inflationary effect in 1947 as well as in 1948, though the significance of this factor was greater in the latter year.

creased, it can be concluded that the proportion of income which tended to be spent was substantially lower than in 1947.

In spite of the reduction in over-all inflationary pressures, controlled prices were raised during 1948 as a result of increases in cost. The rise in costs resulted from increases in import prices and in domestic prices paid to farmers and, to some extent, from increases in labour costs.

In September 1948, federal rationing, with the exception of butter, tea and petrol, was abolished. Many controls were abandoned and the remaining controls of essential commodities were turned over to the states. The relaxation of controls did not, however, result in any considerable price increases. From December 1948 till February 1949 wholesale prices increased by about 2 per cent. The cost of living in the first quarter of 1949 was about 2 per cent above the last quarter of 1948.

Table 58. Income and Consumption in Australia, in Current and Constant Prices
1947 and 1948 [a]
(1940 = 100)

Item	*1947*	*1948*
Gross private income in current prices	149	180
Personal consumption in current prices	143	174
Cost of living	123	131
Gross private income in constant prices	121	137
Personal consumption in constant prices	116	133
Population	107	109
Gross private income *per capita* in constant prices	113	126
Personal consumption *per capita* in constant prices	108	122

Source: Statistical Office of the United Nations and other official statistics.
[a] Years ended 30 June.

Foreign Trade and Balance of Payments

The foreign trade of Australia increased substantially in 1948 over the level of the preceding year, as shown in table 59.

Table 59. Exports and Imports of Merchandise, Excluding Gold, in Australia
1937-39, 1947 and 1948 [a]
(In thousands of Australian pounds)

Item	*1937-39*	*1947*	*1948*	*1947 Second half*	*1948 Second half*
Imports	114,623	208,342	338,241	156,880	200,030
Exports	137,567	308,932	407,230	160,653	266,886
Balance	22,944	100,590 [b]	68,989 [b]	3,773	66,856

Source: Official statistics.
[a] Years ended 30 June.
[b] The considerable difference between net exports in 1947 and 1948 disappears if allowance is made for consignments of wool paid for during the war but not actually exported until 1947. After deduction of these exports, valued at about £A40 million, net exports in 1947 would be reduced to about £A60.6 million.

The index of export prices computed by the Commonwealth Bank of Australia was equal to 206.5 (1937-39=100) in 1947 and to 295.4 in 1948. The corresponding indices for imports were 232.3 and 270.7, respectively. Thus in 1948, the terms of trade turned in favour of Australia, as a result of a much greater rise in export than in import prices.[1]

As shown in table 60, the quantum of imports in 1948 rose by 39 per cent over the previous year, to a level 9 per cent above pre-war, while the quantum of exports was 8 per cent below the previous year and about equal to pre-war. The relative share of exports in the total output of Australia was smaller than pre-war.

The composition of imports has not changed considerably. The relative shares of capital equipment, including transport equipment, and of finished consumer goods has fallen while the relative shares of primary materials for use in industry and of fuels and lubricants have risen.

The most important change in the composition of exports was the considerable increase in the relative share of wheat, to 20.8 per cent of the total exports in 1948, as compared with 9.4 per cent in the previous year and 16.3 per cent in the

[1] The index of the terms of trade moved from 88.9 in 1947 to 109.1 in 1948. The indices are not entirely adequate as measures of price variations because the import index covers only a limited range of imports and the export index is dominated by a few major primary products.

Table 60. Foreign Trade of Australia, in Pre-War Prices

1937-39, 1947 and 1948 [a]

(In thousands of Australian pounds)

Item	*1937-39*	*1947*	*1948*
Imports	114,623	89,687	124,950
Exports	137,567	149,604	137,857
Balance	22,944	59,917	12,907

Source: Official statistics.
[a] Years ended 30 June.

three years ending 30 June 1939. The relative share of wool was lower than in 1947, but equal to pre-war, at 36.9 per cent of total exports. The share of manufactured goods in the total was about 5 per cent before the war and more than 15 per cent in 1947.

Between 1947 and 1948 there was a shift in trade towards the United Kingdom and away from Canada and the United States. There was some increase in the relative share of Australian imports from western Europe. As compared with pre-war years, the most significant change in the direction of trade has been the considerable fall in the relative share of the United Kingdom in Australian exports, as well as in imports, and the increase in the share of the United States. The share of Germany and Japan in Australian imports has also declined sharply. A drop in exports to Germany since the war has been offset by increased exports to Italy. There has been a very marked increase in Australia's share of trade with India, both in imports and exports.

In spite of its favourable over-all balance of payments in 1948, Australia had an adverse balance of trade with the United States and was faced with a serious dollar shortage, which resulted in drastic restrictions on imports from the dollar area. In 1947, notwithstanding large exports of wool to the United States, the Australian deficit amounted to £A31.6 million. The estimated deficit in 1948 was considerably larger.

In 1947 Australia drew heavily on the sterling area dollar pool but after the suspension of free convertibility in August 1947 "the continuation of the pooling arrangement has been possible only because of an understanding that Australia would co-operate with the United Kingdom in making economies in dollar expenditures".[2] New restrictions on imports from the dollar area were introduced in 1947 and considerably reinforced in 1948. As a result, trade with the United States was brought into balance during the second half of 1948.

B. NEW ZEALAND

Production, employment and national income in New Zealand reached new high levels in 1948.[1] The volume of total production in 1947 was 14 per cent above that of 1939, but the supply of goods for domestic use was only 6 per cent above pre-war and was 4 per cent below pre-war on a *per capita* basis. Factory production in 1947 was 44 per cent above that of 1939, while farm production was 8 per cent above. Exports in 1947 were 113 per cent of their pre-war volume, but imports were somewhat below the 1939 level.

Table 61 gives data on changes in the New Zealand economy for the years 1940, 1946 and 1947.

Table 61. Selected Indices for New Zealand

1940, 1946 and 1947 [a]

(1939 = 100)

Item	*1940*	*1946*	*1947*
Total production	105	112	114
Farm production	103	108	108
Factory production	110	131	144
Exports	106	110	113
Imports	84	71	93
Goods available for use in New Zealand:			
Total	96	95	106
Per capita	95	89	96

Source: Official statistics; indices in terms of volume.
[a] Years ended 30 June.

Foodstuffs

In the production of the major food crops, there has been a considerable shift from wheat and oats to barley and maize, as indicated in table 62.

The numbers of cattle and sheep in 1948 were somewhat higher than in pre-war years, but the number of pigs was substantially lower. The

[1] In general, the annual statistics in this section relate to years ending 30 June.

[2] Statement by Prime Minister in the House of Representatives on 19 September 1947.

production of meat and wool has increased in relation to the pre-war period 1935-39, while the output of dairy products, measured in butterfat content, has been maintained at pre-war levels, as shown in table 63.

Table 62. Production of Major Crops in New Zealand
1935-39, 1946/47 and 1947/48
(In thousands of bushels)

Crop	1935-39	1946/47	1947/48
Wheat	7,129	5,368	4,539
Barley	952	2,027	2,027
Oats	3,539	2,686	2,853
Maize	318	397	378

Source: New Zealand Census and Statistics Department *Monthly Abstract of Statistics,* Supplement, 30 November 1948; United States Department of Agriculture, *Foreign Crops and Markets.*

Table 63. Wool, Meat and Butterfat Production in New Zealand
1937-39 and 1947/48
(In millions of pounds)

Product	1937-39	1947/48
Wool [a]	312.2	357.0 [b]
Meat [c]	1024	1187
Butterfat [a]	418	420

Source: New Zealand Census and Statistics Department, *Monthly Abstract of Statistics,* November 1948; United States Department of Agriculture, *Foreign Crops and Markets,* 9 May 1949.
[a] Fiscal year ended 31 March.
[b] Estimate for 1948/49 is 365.1 million pounds.
[c] Pre-war period 1934-38; for 1947/48, year ending 1 October 1948.

Industry

The volume of factory production in 1947 was 44 per cent above that of 1939.[1] The expansion of manufacturing industries continued throughout 1948 and numerous new plants were put into operation. This resulted in increases in the output of such commodities as textiles, chemicals, electric motors and wood products.

The expansion of industry was impeded by shortages of labour, building materials, coal and—despite a nearly threefold increase in output since 1938—of electric power.

Table 64 provides data on the production of fuel and building materials for the years 1938, 1947 and 1948.

Table 64. Output of Fuel and Building Materials in New Zealand
1938, 1947 and 1948 [a]

Item	1938	1947	1948
Fuel:			
Electricity (millions of kw./hrs.)	1416	2592	3807
Coal (thousands of metric tons)	996	948	984 [b]
Building materials:			
Cement (thousands of metric tons)	204	221	238
Timber (thousands of long tons) [c]	501	588	679

Source: Statistical Office of the United Nations; New Zealand Census and Statistics Department, *Monthly Abstract of Statistics,* November 1948.
[a] Calendar years. [b] Estimated.
[c] Loadings on New Zealand railways.

Inflationary Pressures

Considerable inflationary pressure made it necessary to retain war-time controls in 1947 and 1948. In addition to the very extensive system of price controls, a few essential commodities were rationed. Foreign trade was subjected to a strict licensing system and part of the proceeds from exports was temporarily frozen under the guaranteed price system.

The pressures on cost, due primarily to rising import prices, resulted in repeated upward revisions of internal prices.

In August 1948, the New Zealand pound was appreciated to parity with the British pound. This had a considerable mitigating effect on the pressures exerted by import prices on costs.

There was some increase in the supply of consumer goods in 1948 but price controls were retained. The scope of rationing was reduced and at the end of the year only butter and petroleum remained rationed.

During the third quarter of 1948, the retail price index, for the first time since the war, showed a slight decrease from the preceding quarter. The cost of living in the second half of the year appeared to be levelling off, or declining slightly.

[1] According to statistics published in the *Financial Statement* of the Minister of Finance, dated 19 August 1948, the value of factory output, excluding factory processing of primary products, increased from 22 per cent of the value of total production in 1939 to 26 per cent in 1947.

Foreign Trade and Balance of Payments

The considerable rise in the value of imports and exports since pre-war years, shown in table 65, reflects higher post-war prices to a large extent.

Table 65. Foreign Trade of New Zealand
1938, 1947 and 1948 [a]
(In millions of New Zealand pounds)

Item	*1938*	*1947*	*1948*
Imports	55.4	128.7	128.2
Exports	57.1	128.4	147.8
Balance	1.7	—0.3	19.6

Source: Statistical Office of the United Nations.
[a] Calendar years.

Dairy products, meat and wool accounted for more than 80 per cent of total exports in 1947 and 1948, as well as before the war. The considerable increase in the export surplus in 1948 was due primarily to a very large increase in wool exports. Changes in the composition of imports were somewhat more significant. Imports of textiles, fibres and yarn increased from 16 per cent of the total before the war to 22 per cent in 1948. There was also an increase in the relative share of imports of fats and waxes, a slight increase in metals and machinery and a reduction in the relative share of imports of food and beverages and motor vehicles.

Between 1938 and 1947 there was a shift in trade towards the United States and France and away from the United Kingdom.

The relative share of the United Kingdom in New Zealand's exports fell slightly, from 84 per cent in 1938 to 77 per cent in 1947, while the share of the United States rose, from 2.4 per cent in 1938 to 6.3 in 1947, and that of France rose from 1.7 per cent in 1938 to 3.4 in 1947. The share of Canada remained approximately unchanged. With regard to imports, the share of the United Kingdom fell slightly, from 48 to 43 per cent, while that of the United States increased from 12.4 to 18 per cent of the total. The shares of Australia and Canada remained unchanged. In 1948, however, there was a fall in the share of Canada and of the United States in imports, as well as in exports.

Notwithstanding its export surplus in merchandise trade, there was a considerable deficit with the dollar area, which was covered by use of the sterling area dollar pool in London. The dollar shortage resulted in severe restrictions on imports from dollar areas.

Chapter 3

ASIA AND THE FAR EAST [1]

The post-war recovery of countries in Asia and the Far East has been much slower than in other war-devastated areas of the world.[2] A somewhat higher rate of progress occurred in 1948 than in the previous year in some of the countries in the region, but production levels generally were far below those of pre-war years. Rice production in 1948 was within 5 per cent of the pre-war output, but was inadequate for the needs of the growing population. The region as a whole continued in 1948 to be a net importer of foodstuffs, though before the war it had been a net exporter. Notwithstanding substantial recovery in some countries during 1948, industrial activity was still depressed far below pre-war levels. As before the war, China, India and Japan accounted for the overwhelming majority of the region's factory industries. In 1948, Indian industrial activity was about 16 per cent higher than in 1937, but this increase did not compensate for serious declines in China and Japan. In the latter country, for example, industrial production had reached less than 40 per cent of its pre-war level at the end of 1948.

The region has lost ground even as a supplier of raw materials to the advanced industrial countries. The Japanese occupation of some of the most important raw material producing countries in the area compelled Europe and the Western Hemisphere to seek alternative sources of supply or develop substitutes, or both. Thus the war-time isolation of the main tin producing countries in the region stimulated tin production in Latin America and Africa. Moreover the United States installed large tin smelting capacity during the war and this greatly affected the post-war position of Malaya as a tin metal producer. A similar deterioration has occurred in the relative position of Asia and the Far East as a source of supply for antimony, bauxite and tungsten. The production of silk, jute, abaca and sisal has lagged far below pre-war levels, and substitutes have been widely used by important consumers of these fibres. Rubber production alone has been higher than before the war, but here, too, competition from synthetic products has affected the region's prospects.

The relative share of Asia and the Far East in world output of tin, rubber and rice before and after the war, discussed more fully below, is illustrated in chart 12.

Depressed production levels have had their inevitable repercussions upon trade. Before the war the region as a whole had been a net exporter of goods, but although the volume of exports increased significantly from 1947 to 1948, most countries still had substantial import surpluses in the latter year; Japan and the Philippines accounted for nearly 60 per cent of the total deficit of the area. Declines in intra-regional trade, and in trade with Europe, were partially counterbalanced by increased trade with the United States. In 1948 a fall in imports from the United States was more than offset by higher imports from Europe, but the United States share in the trade of the region remained considerably higher, and the European share correspondingly lower, than in pre-war years. Ceylon, India and Pakistan have developed closer trading relations with the Middle East than before the war.

Although cost of living indices began levelling off in a few countries during 1948, the entire area continued to experience the effects of inflation. The situation was most serious in China, where the monetary reform of August 1948 failed to arrest the forces of hyper-inflation. In some other countries, the continuing shortage of goods accompanied by government deficits and expanded private investment also caused further sharp price increases during 1948. In Ceylon, Hong Kong, Malaya and, at the beginning of 1949, in India and Indonesia, there appeared to be some tendency for the cost of living to fall.

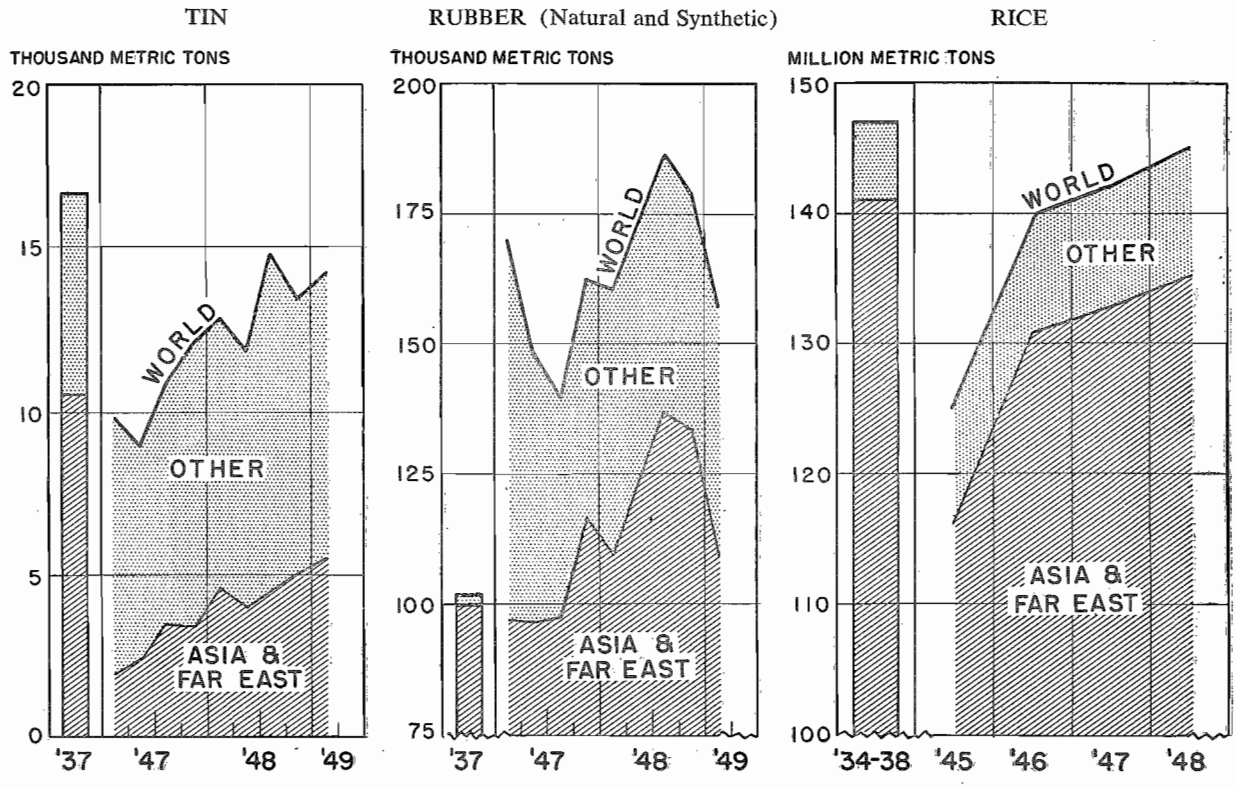
Post-war economic conditions in Asia and the Far East have been greatly influenced by military conflicts or civil disturbances in several countries in the region, including Burma, China, Indochina

[1] The discussion in this chapter relates to the following countries: Burma, Ceylon, China, Hong Kong, India, Indochina, Indonesia, Japan, Korea, Federation of Malaya and Singapore, North Borneo, Brunei and Sarawak, Pakistan, Philippines and Siam.

[2] For a more detailed study of the economic situation of the region in 1948, see *Economic Survey of Asia and the Far East 1948*, prepared by the secretariat of the Economic Commission for Asia and the Far East.

and Indonesia. Secondly, most countries in the area have been affected by the break-up of the Japanese Empire; though Japan may continue for some time to be the leading industrial producer in the region, it is unlikely that it will regain its pre-war dominating position.

Chart 12. Production of Tin, Rubber and Rice in Asia and the Far East and for the World



Supply of Foodstuffs

Before the war, the region was a net exporter of basic foodstuffs in spite of the fact that most of its population lived at a bare subsistence level. Food deficit areas—mainly Ceylon, China, India, Japan and Malaya—obtained their imports from the food surplus areas in the region, Burma, Formosa, Indochina, Korea and Siam. During the post-war years, the region as a whole became a net importer of food, owing to declines in production and intra-regional trade, as well as to the increased requirements resulting from the rise in population of somewhat less than 10 per cent, compared with pre-war. The *per capita* food supply of Asia and the Far East in 1948 was somewhat above that of the previous year, but was below that of pre-war.

Post-war territorial changes in the region affected the food position of a number of countries considerably. Owing to the loss of supplies from dependent areas within its pre-war empire, Japan has found it necessary to seek new sources of imports. The post-war restoration of the normally food surplus areas of Formosa and the north-eastern provinces (Manchuria), provided China with new internal sources of supply. China was a food importing country before tthe war and continued to import a few hundred thousand metric tons in 1947 and in 1948. Pakistan, which was expected to continue to provide India with surplus rice and gram became a food deficit area in the second half of 1948.

Production of cereals in Asia and the Far East reached 94 per cent of pre-war output in 1947/48 and between 96 and 98 per cent in 1948/49.[1] In

[1] If not otherwise indicated, data in this section are based upon publications of the Food and Agriculture Organization of the United Nations; in certain cases the figures are based on government forecasts early in the crop year and therefore may tend to overestimate the 1948/49 crops.

1948/49, the supply of cereals—production plus net imports—was a few per cent higher than in the previous year and almost reached the pre-war level. The production of other food crops, such as roots and tubers, pulses, vegetables and fruit, in 1947 and 1948 was generally above that of pre-war and to some extent made up for the deficit in cereals.

The average *per capita* consumption of cereals in the region is estimated at about 91 per cent of pre-war in 1948/49 as compared with about 86 to 88 per cent in 1947/48. In 1947 and 1948 only the leading rice surplus countries—Burma, Siam and possibly certain parts of Indochina—had cereal consumption levels higher than before the war; in all other countries of the region consumption was below pre-war levels. The consumption levels of fats and oils, and of meat and fish, probably improved in 1948 over the preceding year.

Restoration of intra-regional trade in food is an urgent necessity, because of the drain on the region's limited foreign exchange resources involved in imports from the Western Hemisphere. Constant efforts have been made by a number of governments in the region to increase food production and to decrease food imports.

RICE AND GRAINS

In 1947/48 and 1948/49, as shown in table 66, there was some recovery in the output of rice, the most important item of food consumption in the region, although production in those years remained 6 and 4 per cent, respectively, below the pre-war level. In several countries—Japan, Malaya, Pakistan, Philippines, Siam and southern Korea—the 1948/49 crops were estimated to be above the average of the pre-war years 1934-38. They exceeded 90 per cent of pre-war output in Ceylon, China, India and Indonesia, but were far below that level in Burma, North Borneo and Indochina. The unsatisfactory supply situation in the region was thus a result of the serious lag in the recovery of rice production in Burma and Indochina—two of the three main exporting countries of the region—and the failure of rice output to

Table 66. Rice and Grain Production in Asia and the Far East
1934-38, 1947/48 and 1948/49
(In thousands of metric tons)

Country	*Rice (paddy)*			*Wheat*			*Coarse grains*		
	1934-38	*1947/48*	*1948/49*	*1934-38*	*1947/48*	*1948/49*	*1934-38*	*1947/48*	*1948/49*
		Percentage of 1934-38			*Percentage of 1934-38*			*Percentage of 1934-38*	
Total [a]	140,540	93.9	95.6	34,516 [b]	97.1	105.5	63,600	90.1	91.2
Burma	6,971	77.9	83.2	7	57.1	57.1	39 [c]	74.4	76.9
Borneo, North	170	70.0	70.6	—	—	—	—	—	—
Ceylon	300	74.7	96.7	—	—	—	—	—	—
China [d]	52,117	92.4	92.5	21,743	108.8	110.4	30,494	90.7	93.3
India [e]	29,204 [f]	97.9	99.3	7,140 [f]	68.2	76.1	18,160	101.3	98.9
Pakistan	11,168 [f]	105.8	104.0	3,183 [f]	100.5	104.2			
Indochina	6,498	73.8	78.6	—	—	—	538 [c]	. .	. .
Indonesia	9,845	87.9	93.6	—	—	—	1,978 [c]	66.4 [c]	97.9 [c]
Japan	11,500	97.3	102.3	1,287	59.6	73.0	1,963	70.0	83.9
Korea, southern [g]	2,520	102.6	101.3	103 [g]	85.4 [g]	97.1 [g]	1,046	65.5	81.5
Malaya	513	106.8	109.1	—	—	—	—	—	—
Philippines	2,179	107.2	110.1	—	—	—	427 [c]	109.1 [c]	114.5 [c]
Siam	4,357	118.8	120.5	—	—	—	5	180.0	200.0

Source: Food and Agriculture Organization, *Food and Agriculture Conditions in Asia and the Far East 1948,* (United Nations document E/CN.11/144, November 1948); *Grain Bulletin,* Commodity Series No. 10, (January 1949); *Rice Bulletin,* Commodity Series No. 11; *Food and Agriculture Statistics.* March 1949. Most of the 1948/49 estimates are provisional.

[a] Including estimated production of countries and areas for which data are lacking. Totals for wheat do not include rye production of Korea.

[b] In the pre-war years, Manchuria's production averaged 897,000 metric tons and northern Korea's 156,000 metric tons.

[c] Maize only.

[d] Figures for rice include Manchuria and Formosa, but other figures are for China proper; pre-war average is for 1931-1937.

[e] Figures for rice do not include "unreported" tonnage, estimated at about 1¾ million metric tons.

[f] 1937-39 average.

[g] Not including northern Korea, which produced about 600,000 metric tons of rice annually in the post-war years. Pre-war data are an average of 1930, 1934 and 1936. Figures for wheat include rye. Southern Korea, only important rye-producing country in the region, harvested 27,000 and 23,000 metric tons in 1947 and 1948, respectively, as compared with 8,000 metric tons in the whole of Korea in 1936-38.

reach even pre-war levels in China and India, the world's largest producers and consumers of rice.

Wheat was the only major cereal whose production for the whole region was above the pre-war figure. In 1948/49, wheat production was 5.5 per cent above that of pre-war and 9 per cent above that of the preceding year, owing to increased production in China and Pakistan. In other countries in the region, the 1948/49 wheat crop was below the pre-war level. Furthermore, the increase in wheat production was more than offset by the decrease in the output of coarse grains, which in 1948/49 was only 91 per cent of pre-war, though slightly higher than in the previous year.

In 1934-38, the region's net exports of milled rice averaged 1.7 million metric tons annually and of coarse grains, 0.55 million metric tons. There was a deficit in bread grains; the net shipments of wheat, flour and rye to the region in 1934-38 averaged 0.9 million metric tons. Within the region, the flow of milled rice from food surplus countries to food deficit countries in 1934-38 averaged 6 million metric tons, while the trade in other cereals was small—only 0.3 million metric tons for wheat, flour and rye and only 0.2 million for coarse grains.

After the war, owing both to the decline in production and to the increased demand from the larger population of the area, the food balance could not be achieved by intra-regional trade. Exports of rice, mainly to countries in the region, were about 20 per cent of pre-war during 1947 and about 30 per cent in 1948. Intra-regional trade in other grains was insignificant. The deficit has been largely covered by high net imports of grain from outside the region, as shown in table 67.

Table 67. Rice and Grain Trade of Asia and the Far East

1934-38, 1947 and 1948

(In thousands of metric tons)

Item	*1934-38*	*1947* [a]	*1948*
Rice:			
Aggregate imports [b]	6,050	1,803	2,512
Aggregate exports	7,778	1,562	2,336
Net imports to region....	—1,728 [c]	241	176
Bread grains:			
Aggregate imports	1,224	3,444	. .
Aggregate exports	323	—	. .
Net imports to region....	901	3,444	. .
Coarse grains:			
Aggregate imports	217	877	. .
Aggregate exports	766	—	. .
Net imports to region....	—549 [c]	877	. .

Source: Based on data in Food and Agriculture Organization of the United Nations, *Rice Bulletin*, February 1949; *Grain Bulletin*, January 1949.

[a] Crop year 1947/48 in the case of bread and coarse grains.

[b] Excluding Korea, North Borneo and Philippines.

[c] Net export.

FATS AND OILS

Production of fats and oils in 1948/49 reached 7.8 million metric tons, or 91 per cent of the pre-war average for 1934-38. In 1948, China (including Manchuria), India and Pakistan, which together produced nearly two-thirds of the region's output of fats and oils before the war, attained about 90 per cent of the pre-war level. Production in several other countries, however, lagged seriously and amounted to only 57 per cent of the pre-war level in Japan and 76 per cent in Indonesia. Output of fats and oils in the Philippines in 1948 exceeded that of pre-war by 33 per cent but acounted for only a small part of the total output of the region.

The low *per capita* consumption levels of the pre-war years were equalled or exceeded during 1947/48 in Ceylon, India, Pakistan, Philippines, Siam and probably also in China proper. In other countries of the area, however, *per capita* consumption failed to reach pre-war standards.[1]

Before the war, Asia and the Far East accounted for some 45 per cent of fats and oils entering into international trade. In 1948, the region's net export was 1.2 million metric tons (oil equivalent), as compared with an average of 2.3 million annually in the period 1934-38.[2] Exports of soybeans and oil-seeds from Manchuria and other parts of China were sharply reduced, owing to lower production and to transportation difficulties. Although India's production of oil-seeds was back to pre-war levels, its exports in 1948 were lower as a result of increased domestic consumption arising from the growth of population. In the post-war years, the Philippines took the place of China as the leading exporter of fats and oils; in 1947 exports were 82 per cent higher than the pre-war average of 1934-38 and they were 46 per cent

[1] Consumption levels varied considerably among the countries of the region; in terms of kilogrammes *per capita* per year the range was from 1.9 to 6.3 before the war and from 0.5 to 6.5 in 1947/48.

[2] United Nations document E/CN.11/144, page 31.

above pre-war in 1948. Exports of Indonesia and Malaya in 1948 were about one-half of their pre-war level, despite significant increases over previous years.[1]

Production and export of tung-oil [2] from China, the only exporter prior to the war, recovered considerably in 1947 and 1948. China's exports of tung-oil in 1948 were only slightly below the annual average in 1935-37 of 83,000 metric tons.

LIVESTOCK PRODUCTS AND FISH

Recovery in the production of livestock products and fish has lagged behind that of food crops. *Per capita* consumption of animal products and fish declined sharply throughout the region during the war and post-war years. Prior to the war, the *per capita* intake of animal products ranged from 68.9 kilogrammes per year to 6.3 kilogrammes per year in the region. In 1947/48, *per capita* consumption was only 5.2 kilogrammes per year in Indochina and only 3.8 kilogrammes per year in Japan, as compared with 29.6 and 14.1, respectively, before the war. In India and Pakistan consumption fell from 68.9 kilogrammes before the war to 59.8 in 1947/48. However, improvement over 1947 was recorded during 1948 in most countries of the region.

Livestock numbers generally increased in 1948 but were still below pre-war. Both production and exports of egg and poultry products remained far below pre-war levels. The region's fish catch in 1947 and 1948 was probably under two-thirds of that of pre-war, owing to the loss of fishing vessels during the war.

SUGAR

Production of sugar in Asia and the Far East in post-war years has remained considerably below the pre-war level. In 1934-38 the annual net export of sugar of the region as a whole totalled 1.6 million metric tons.[3] During that period, Formosa, Indonesia and the Philippines, the three leading sugar surplus areas, together exported 2.8 million metric tons annually to countries within and outside the region. In the period immediately following the cessation of hostilities, these three countries temporarily dropped out of the international sugar market. Formosa, which was returned to China, had only a very small amount of sugar available for export in 1947 but exported 72,500 metric tons in 1948. Net sugar exports from Indonesia (excluding the Republican area), which in 1947 amounted to only 1,700 metric tons, rose to 52,000 metric tons in 1948. The Philippines, temporarily a net importer of sugar in 1945 and 1946, recovered rapidly thereafter to resume sugar exports of less than 19,000 metric tons in 1947 but of nearly 200,000 metric tons in 1948.

TEA

In 1937 production of tea in Asia and the Far East amounted to about 730,000 metric tons.[4] Total estimated exports of tea from the region in 1948/49 were 326,000 metric tons, 84 per cent of the pre-war volume—some 6 per cent lower than in 1947. During and after the war, production and exports of tea increased substantially in the Indian sub-continent and in Ceylon but declined sharply in other countries of the area. As a result, India, Ceylon and Pakistan accounted for about 94 per cent of the region's exports in 1947 and 1948.[5] Exports from Japan and Indonesia were about 16 per cent of their pre-war levels, and those from China over one-third of pre-war.

TOBACCO

Tobacco production in Asia and the Far East averaged 1.4 million metric tons during the period 1934-38—about one-half of the total world output —and tobacco was an important item of export.[6] By 1947, the tobacco output of China, which before the war accounted for 45 per cent of the total output of the area, was back to its pre-war level, and in 1948 slightly above that level. The Indian sub-continent, which was responsible for a further 36 per cent of the region's pre-war output, produced 4 per cent less than before the war in 1947 and 5 per cent less in 1948. The aggregate production of China, India, Japan, Korea, Malaya, Pakistan, Philippines and Siam in 1948 totalled 1.28 million metric tons, or 4 per cent above the cor-

[1] Food and Agriculture Organization of the United Nations.
[2] An edible oil used for industrial purposes.
[3] Food and Agriculture Organization of the United Nations, *Sugar Bulletin*, No. 1 (July 1948).
[4] International Tea Committee, *Bulletin of Statistics*.
[5] In 1937, Ceylon, India and Indonesia accounted for 80 per cent of total exports of the region.
[6] Food and Agriculture Organization, *Yearbook of Food and Agriculture Statistics, 1947*.

responding figure in 1947, and about the same as before the war.[1] In Malaya, production in 1948 was twice that of 1947 and several times that of pre-war.

Before the war, the region exported about 120,000 metric tons of unmanufactured tobacco and imported 38,000 metric tons. The chief exporters were India, Indonesia and the Philippines. The region was a small scale net importer in 1946 and 1947, but a net exporter of less than 5,000 metric tons in 1948, or only 6 per cent of pre-war net exports.[2]

Industry

While substantial recovery was registered during 1948, the output for the year of raw materials, fuels and manufactured goods in Asia and the Far East was, in general, considerably below the pre-war level, with the notable exception of rubber. The production of fibres and of the textile industries, generally, reached a level about two-thirds of that of pre-war. Rubber output, on the other hand, was 25 per cent above the pre-war volume. Non-ferrous metals reached one-half or less of pre-war output, and iron ore only two-fifths. A 23 per cent higher production of electricity in 1948, as compared with 1937, was offset by declines of approximately 30 per cent and 25 per cent in the output of coal and petroleum, respectively. The region was therefore a net importer of fuels in 1948. Shortages of key commodities, particularly of machinery and spare parts, and the lack of political stability in several parts of the region were important factors in retarding industrial recovery.

More than 90 per cent of the region's factory [3] industries were concentrated in China, India and Japan before the war. Japan, the only highly industrialized country in the region, supplied a large proportion of the region's needs for manufactures and equipment; the balance was obtained through trade with other industrial countries, mainly metropolitan Powers. During the war significant industrial progress was made by India, Japan and some parts of China; old industries were expanded and new ones established. In 1941, when war-time production was at its peak, India's industrial production was 118 per cent, and that of Japan was 123 per cent, of 1937 levels. The end of the war brought about a sharp decline in the production of raw materials and manufactured goods in the region, except in India. The general index of industrial production of Japan in 1946 and 1947 was only 20 and 25 per cent, respectively, of that of 1937.

During 1948, the rate of recovery of industrial output in Japan was high, although for the year as a whole production was only 33 per cent of the 1937 level. In India industrial production during the first ten months of 1948 was 9 per cent above that of 1947 and about 16 per cent above that of 1937. China's production suffered a sharp setback owing mainly to civil conflict.

FIBRES AND TEXTILES

Cotton and cotton textiles

The cotton textile industry is by far the most important single industry in Asia and the Far East and employs more labour and capital than any other. Before the war, the total spinning mill capacity of the region was about 27 million spindles and its annual production about 1.7 million metric tons of cotton yarn—both capacity and production being highly concentrated in China, India and Japan. In addition to the factory industry, there was a large cottage industry for cotton yarn and cloth; the output of hand-spun yarn represented from one-sixth to one-seventh of total yarn production in China and India. Hand-loom production of cotton cloth was more important than mill production in most countries of the region, except India and Japan. Cloth production was almost entirely for domestic consumption within the area. Japan alone exported a significant volume of cotton fabrics, largely to other countries of the region. The area as a whole was not self-sufficient in cotton fabrics.

During the war, cotton textile production expanded in Ceylon and India, but contracted in China and Japan. Since the end of the war there

[1] Secretariat of the Economic Commission for Asia and the Far East.

[2] United States Department of Agriculture, *Foreign Crops and Markets,* volume 58, number 18.

[3] As distinct from handicraft industries.

has been a sharp decline in the usable capacity of the cotton textile industry of the region, mainly in Japan. In 1948 cotton spinning mills in the region had less than 20 million spindles, or about 73 per cent of the pre-war number, owing almost entirely to the decline in Japan from 11 million spindles before the war to 4 million in 1948. The number of looms in the region's cotton weaving mills also decreased considerably; the decline again was concentrated in Japan. In India, however, there has been some increase in capacity.

In 1948, about 1.2 million metric tons of cotton yarn and about 6,000 million metres of cotton cloth were produced by the textile industry of the region—or about two-thirds of the pre-war volume for both yarn and cloth. The output of hand-spun yarn and hand-loomed cloth in 1948 appeared to have made a somewhat better recovery than that of mill production. Mill production, as shown in table 68, was considerably below capacity, owing not only to inadequate supplies of raw materials and coal and to transport difficulties, but also to labour troubles and political instability in some of the countries of the region.

Table 68. Mill Production of Cotton Yarn and Fabrics in Asia and the Far East

Pre-war, 1947 and 1948

Item and year	*Total*	*China*	*India* [a]	*Japan*	*Other countries*
Cotton yarn in thousands of metric tons:					
Pre-war [b]	1,671	394	526	720	30
1947	1,064	299	603	122	40
1948	1,165	336	654	125	50
Cotton fabric in millions of metres:					
Pre-war [b]	9,000 [c]	942 [d]	3,734	4,035 [e]	. .
1947	. .	769	3,447	544 [e]	. .
1948	6,000 [c]	. .	3,958	772 [e]	. .

Source: Secretariat of the Economic Commission for Asia and the Far East and official statistics of India and Pakistan.

[a] Including Pakistan to August 1947; excluding Pakistan from September 1947.

[b] China, 1936; India, year ending 31 March 1938; Japan, 1937.

[c] Including estimates for countries where data not available.

[d] China, cotton fabrics 1934-35, 1,383 million metres.

[e] Square metres.

The drop in Japan's exports of cotton fabrics to other countries of the region—to only 12 to 14 per cent of the 2,323 million square metres exported in 1937—has not been made good by small-scale exports from India and China, nor by imports from outside the region, owing to the shortage of hard currencies. Consequently, the *per capita* consumption of cotton cloth in the region in 1948 failed to reach the pre-war level, although it was considerably above that of the preceding year.

Post-war production of woollen and rayon woven goods in the region has also remained far below pre-war levels. In Japan, the principal country producing such goods, 1948 production of woollen and rayon goods was less than 10 per cent of the 1937 output.

The cotton textile industry of the region obtained almost all of its raw cotton requirements before the war from within the area; net imports amounted to only a few hundred thousand metric tons. The large cotton imports of Japan before the war—about 0.8 million metric tons—were met in part from export surpluses of the Indian sub-continent of from 0.3 to 0.5 million metric tons annually.

Raw cotton production and imports declined in the post-war years. The region's total production of raw cotton in 1947/48 is estimated at one-third below that of pre-war, when it amounted to about 1.8 million metric tons.[1] Cotton production in 1948/49 was somewhat above that of the preceding year. The region's net imports of raw cotton in 1947 and 1948 were considerably below pre-war levels, further reducing the cotton supply of the area. In the Indian sub-continent, raw cotton output declined from 1 million metric tons before the war to about 0.7 million in 1947/48 and in 1948/49, as a result chiefly of the diversion of part of the cotton acreage to food production. Domestic consumption of raw cotton in India and Pakistan increased from 0.68 million metric tons before the war to 0.86 million metric tons in 1947/48, owing primarily to the expansion of India's cotton industry. The partition of India left the Indian Union as a cotton deficit area and Pakistan as the only country in the region with a significant cotton surplus; annual cotton exports from Pakistan in 1947 and 1948 amounted to about 0.2 million metric tons annually.

Since the end of the war, cotton deficit countries in the region have had to seek sources of supply outside the area to meet their requirements. Japan

[1] Estimate based on revised figures supplied by the Food and Agriculture Organization of the United Nations and the International Cotton Advisory Committee.

has been mainly dependent on imports of cotton from the United States. Japan's raw cotton imports amounted to only 156,000 metric tons in 1946/47 and 139,000 in 1947/48 but are expected to expand considerably during the next few years. In China, the 1948 cotton crop, though somewhat larger than that of 1947, was only three-fourths of its pre-war size. In addition, civil disturbances and transport difficulties prevented the cotton mills in Shanghai and in other cities from obtaining access to domestic cotton so that they were almost entirely dependent on imports. Raw cotton imports into China on private accounts in 1947 and 1948 amounted to somewhat over 120,000 and 95,000 metric tons, respectively, being supplemented in the former year by imports of the United Nations Relief and Rehabilitation Administration of about 75,000 metric tons.

Silk

Prior to the war the raw silk production of Asia and the Far East amounted to about 49,000 metric tons, of which the 42,300 tons produced by Japan represented nearly 80 per cent of the total world output. Production in 1948 probably exceeded 8,000 metric tons, as compared with 6,600 tons in 1947.[1] The revival of sericulture in the region has been affected by increasing competition from synthetic fibres. The silk reeling and weaving industry, one of the leading industries both of Japan and of China before the war, has suffered heavily.

Jute

Jute production in India and Pakistan, whose output of 1.9 million metric tons in 1934-36 represented virtually the world supply of this important fibre, reached about 84 per cent of that of pre-war in 1947/48. Since partition of India, the production of raw jute is concentrated in Pakistan while all of the jute mills are located in the Indian Union. About 5 million of the 6 million bales of raw jute annually required by the Indian Union's jute mills must therefore be imported from Pakistan.

Production of jute in the sub-continent of India and Nepal fell from 1.55 million metric tons in 1947/48 to an estimated 1.36 million tons in 1948/49. India's exports of jute bags in 1948 were 10 per cent below those of 1937; its exports of jute cloth in the last nine months of 1948, on the other hand, were 9 per cent above the pre-war level. Although the supply of jute substitutes expanded during the war, these substitutes have not reached a point where they challenge the monopolistic position in jute production enjoyed by the Indian sub-continent, but the competitive position of certain of these substitutes has been considerably strengthened since the end of the war.

Hard fibres

Production of hard fibres in the countries of Asia and the Far East has declined drastically. Before the war, production of abaca in the Philippines, together with a small amount produced in North Borneo, comprised the total world supply of that commodity. In the post-war years, abaca production in the Philippines, which prior to the war amounted to 170,000 metric tons, dropped to 50,000 tons in 1946, recovered to 101,000 tons in 1947, but declined once more by about 25 per cent in 1948. Philippine exports of abaca, which was the second largest export item of that country, followed a similar course; in 1948, they dropped about 17 per cent from the preceding year, when they amounted to about 86,000 tons, owing to the withdrawal of Japanese purchases. Abaca production was initiated during the war by a number of Central American countries, but non-Asian production in 1947 amounted to only 16,000 metric tons.

The region was also an important producer of sisal prior to the war, when Indonesia produced and exported 84,000 metric tons out of a world total of 243,000. In 1948, however, Indonesian production was negligible.

OTHER RAW MATERIALS [2]

Rubber

Like silk, rubber has been threatened since the end of the war with prospective declines in demand as a result of the expansion of synthetic production during the war. Unlike silk and other agricultural raw materials, however, the production of rubber in 1948 exceeded that of pre-war. The region's

[1] Commercial production only.

[2] Excluding fibres discussed earlier in this section and technical oils treated in the analysis of production of edible fats and oils.

production of natural rubber amounted to 1.2 million metric tons in 1947 and 1.48 million in 1948, exceeding the 1937 output by almost one-fourth.

In 1937 the region produced more than 96 per cent of the world's supply of rubber. Indonesia and Malaya were the two leading producers and rubber was also produced in Ceylon, Indochina, British Borneo and Siam. Over 95 per cent of the region's rubber production was exported. The productive capacity of the region was comparatively unaffected by the war. Synthetic rubber production was relatively unimportant before the war, but in the post-war years synthetic productive capacity has sufficed to provide upwards of one-fourth of the total rubber supply, both natural and synthetic.

Minerals

Before the war, Asia and the Far East was an important producer and exporter of tin, tungsten, antimony and manganese, accounting in the case of tin and tungsten for upwards of two-thirds and in the case of antimony for more than a third of the world supply. The region also exported bauxite, chromite, mica and sulphur. In 1947 and 1948, the region's production of the above minerals and of iron ore had generally reached a level only one-half that of pre-war.

Tin production registered substantial gains in 1948 to reach 58 per cent of its level before the war; 1947 output had been only 34 per cent of that of pre-war, as shown in table 69. Before the war, the region produced 150,000 metric tons of tin concentrates, and tin was a principal export of Indochina and Malaya and, to a lesser extent, of China, Indonesia and Siam. Malayan tin ore production in 1948 was only 58 per cent of 1937, owing primarily to difficulties in replacing worn-out machinery. The 1948 output of tin ore in Indonesia reached 78 per cent of its 1937 volume. In Burma, China, Indochina and Siam, recovery was much less marked; their combined output in 1947 reached only 22 per cent of that of pre-war. The world shortage of tin, both during and after the war, stimulated production in other areas, notably in Bolivia and the Belgian Congo, where post-war production has continued at a level considerably above that of pre-war.

Tin metal production in Malaya, which in 1939 had more than 45 per cent of the world's tin smelting capacity, was substantially smaller in 1947 and 1948 than before the war owing to the decline of tin metal exports to the United States and to the shortage of tin concentrates. The United States was the largest importer of tin from Malaya before the war but has emerged from the war as the leading producer of tin metal and importer of tin concentrates.

The production of tungsten in the region, which

Table 69. Tin, Tungsten and Antimony Production in Asia and the Far East
1937, 1947 and 1948

Country	Tin in concentrates			Tungsten			Antimony		
	1937 (In thousands of metric tons)	1947 (Percentage of 1937)	1948 (Percentage of 1937)	1937 (In thousands of metric tons)	1947 (Percentage of 1937)	1948 (Percentage of 1937)	1937 (In metric tons)	1947 (Percentage of 1937)	1948 (Percentage of 1937)
Total	152.9	34.0	57.0	28.1	36	47	15,125 [a]	14.7	18.4
Burma	3.4	54.3	38.3	5.9	27	27	30	—	—
Borneo	—	—	—	—	—	—	4	. .	. .
China	10.6	38.6	45.7	17.9 [b]	36	53	14,702	12.0	16.4
India	—	—	—	[c]	20	. .	24	[d]	[d]
Indochina	1.6	—	—	0.6	—	—	4	—	—
Indonesia	39.8	40.7	78.1	—	—	—	—	—	—
Japan	2.2	27.3	25.0	—	[e]	[e]	353	30.0	. .
Korea	—	—	—	2.1	73	73	—	—	—
Malaya	78.5	35.0	58.0	1.4	3	3	—	—	—
Philippines	—	—	—	—	—	—	—	—	—
Siam	16.8	8.5	25.7	0.2	90	90	. .	[f]	. .

Source: Statistical Office of the United Nations and other official statistics; Secretariat of the Economic Commission for Asia and the Far East; United States Department of the Interior, *Minerals Yearbook,* 1939 and 1940.

[a] Including Korea.

[b] Exports only.

[c] 20 tons.

[d] 239 tons in 1947 and 376 tons in 1948.

[e] Production in 1947, 600 metric tons; in 1948, 550 tons.

[f] Production in 1947, 104 metric tons.

in 1937 amounted to over 28,000 metric tons, was only 36 per cent of that figure in 1947 and 47 per cent in 1948. In China, the largest pre-war producer, the 1948 output of 9,600 metric tons was 50 per cent above that of 1947 but only half its pre-war volume. As a result of increased mining of lower grade deposits in Australia and the Western Hemisphere during the war, the post-war share of Asia and the Far East in world production has fallen.

The output of other minerals in the region in 1948 was at similarly low levels. The 1948 antimony production of China, the largest producer in the region, was only 16 per cent of the 1937 level, in spite of some improvement over 1947. Small scale production in India, Japan and Siam considerably exceeded pre-war output but contributed only a small fraction to the region's output.[1] Bauxite production in Indonesia reached 460,000 metric tons in 1948, more than double that of 1937; the output of all other pre-war producers in the region was negligible. In the case of chrome ores, production in India and the Philippines in 1948 improved slightly over the previous years but exports of the Philippines remained below pre-war levels.

Supplies of lead, zinc and copper produced in the countries of Asia and the Far East are largely consumed within the region, chiefly by Japan. In 1937, the region produced 97,000 tons of lead and 89,000 tons of zinc. Burma was the leading producer of both metals and accounted for 81 per cent of the lead output and 67 per cent of the zinc output of the region. The remaining production of lead and zinc was concentrated in Japan and China. Total lead production of the region in 1948 was only one-eighth of its pre-war quantity, and zinc output less than one-half. The output of these two metals in 1947 and 1948 was negligible in Burma and very limited in China. The recovery of the output of lead and zinc in Japan has been more rapid, and production in 1948 slightly exceeded the pre-war level. Copper ore production in 1948 was about 73 per cent of that of 1937 for the region as a whole.

Before the war, production of iron ore in Asia and the Far East accounted for less than 5 per cent of the world total. In 1947 and 1948, production was little more than 40 per cent of the 1937 output of 7.6 million metric tons, as shown in table 70. In India and Japan, however, it reached about 85 per cent of the 1937 level. Before the war Japan imported about 3.9 million metric tons of iron ore, mainly from China, Indochina, Malaya and the Philippines, which together with India were the only exporters of iron ore in the region.

Table 70. Coal, Petroleum and Iron Ore Production in Asia and the Far East
1937, 1947 and 1948
(In thousands of metric tons)

Country	Coal			Crude petroleum			Iron ore and concentrates		
	1937	1947 (Percentage of 1937)	1948 (Percentage of 1937)	1937	1947 (Percentage of 1937)	1948 (Percentage of 1937)	1937	1947 (Percentage of 1937)	1948 (Percentage of 1937)
Total	114,276	69.0	70.0	9,809	34.0	75.0	7,558.1	41.0	42.0
Burma	. .	. .	. .	1,103	0.8	0.7	25.7	—	—
British Borneo	. .	. .	. .	789	218.9	348	—	—	—
China	36,889 [a]	53 [b]	38 [b]	—	53 [c]	87 [c]	1,500.0	10.0 [b]	10.5
India and Pakistan	25,435	121.0	120.0	304	100.0	125	2,883.5	85.0	85.0
Indochina	2,308	10.7	14.7	—	—	—	33.2	—	—
Indonesia	1,373	21.8	37.2	7,262	14.0	54.5	—	—	—
Japan	45,258	60.2	74.5	351	52.9	46.4	618.9	80.0	86.3
Korea	2,348	16.0 [c]	24.5 [c]	—	—	—	207.5	. .	. .
Malaya	639	36.0	59.6 [d]	—	—	—	1.688.1	0.1	0.1
Philippines	26	. .	. .	—	—	—	601.2 [d]	. .	4.0 [d]

Source: Official statistics and United States Department of Interior, *Mineral Yearbook Review of 1940* (Washington, D. C., 1947); *Statistical Yearbook of the League of Nations* 1942/44; 1948 World Oil Atlas.

[a] Manchuria included.

[b] Production includes all enterprises under the National Resources Commission and registered private owners.

[c] South Korea only.

[d] Exports only.

[1] Before the war, the antimony production of the region was 15,125 metric tons, of which China produced 14,702 metric tons. In 1947 and 1948, the region's production was 15 and 18 per cent, respectively, of the pre-war level.

FUEL AND POWER

Coal and lignite

Production of coal and lignite for the area as a whole in 1947 and 1948 amounted to about 80 million metric tons annually as compared to 114 million tons in 1937. Prior to the war, 95 per cent of the output of the region was concentrated in Japan, China (including Manchuria and Formosa) and India, where it was consumed for the most part. Coal production in Japan, which in 1937 was 45 million tons and which fell to 20 million tons at the end of the war, rose to 27 million tons in 1947 and 34 million in 1948. Production in China was disrupted in the period following the war and fell to under 14 million tons in 1948, as compared to 37 million tons in 1937. In both 1947 and 1948, on the other hand, Indian production was in excess of 30 million tons, approximately one-fifth above the pre-war level. India encountered serious problems of distribution in 1948, owing to transportation difficulties, so that substantial stocks accumulated and production was cut back despite the inadequacy of coal supplies for many industries. Production in Indochina, Indonesia and Malaya rose somewhat during 1948 but, together, totalled about one-third of the pre-war figure.

Consumption of coal and lignite in the area in 1947 and 1948 was considerably below that of 1937 and intra-regional trade in coal disappeared almost completely. In 1937, China had an export surplus of 5 million tons, Indochina 1.15 million tons, India 0.8 million tons and Indonesia a lesser amount. The surpluses of the above countries, except India, were sufficient to meet the pre-war import requirements of Japan for 3 million tons, Korea for 1 million and Burma, Ceylon, Hong Kong, Malaya and the Philippines for lesser quantities. During 1948, Japan imported over 1 million tons of coal, chiefly from the United States and Canada, and itself provided Korea with 0.5 million tons.

Petroleum

The post-war pattern of petroleum production and consumption in the Far East is very different from that prevailing before the war, when production and consumption in the region were almost in balance. Pre-war production totalled nearly 10 million tons, three-fourths of which came from Indonesia, and the remainder from Burma, British Borneo, India and Japan. In 1948, the total output of the region was one-quarter lower than before the war. Production in Indonesia fell to less than 300,000 tons in 1946, but subsequently recovered to approximately one-half of its pre-war level. Production in British Borneo also fell to less than 300,000 tons in 1946, but rose to nearly 3 million tons in 1948, three and a half times the 1937 level. In India and Pakistan, production was slightly above the pre-war level. In Burma, however, the war-time destruction and post-war disturbances limited production in 1948 to less than 10 per cent of the pre-war level. In Japan production fell steadily throughout the post-war period, and in 1948 was less than half of the 1937 level.

Despite the fact that production of the region was about three-fifths of pre-war, petroleum consumption in the area as a whole was substantially above that of 1937, notwithstanding a large decrease in Japanese consumption. Before the war, consumption was slightly higher than production; the difference was met largely by imports of crude and refined oils from the United States and a small quantity of crude oil from the Middle East. Most of the refining of crude oil was carried out within the region, chiefly in Burma, Indonesia and Japan. In 1948, the area imported nearly 10 million tons of petroleum, a quantity approximately equal to total pre-war consumption. The larger part of these imports, moreover, was being refined outside the region, partly owing to the decline in the output of the Indonesian refineries and partly to the limited capacity of refining facilities in the principal importing countries, China, India and Japan.

Electricity

Electricity production in 1948 in Asia and the Far East was about 46,000 million kilowatt-hours, or more than one-fifth above the amount produced in 1937, as shown in table 71. Production continued to be concentrated in a few countries of the region, chiefly in Japan. In 1948, output in Burma, China—including Manchuria and Formosa—Indonesia and Malaya appeared to be somewhat below the pre-war level, but elsewhere it had increased, particularly in Japan. In the latter country, it had reached the 1937 level of output during 1946, and by 1948 averaged 20 per cent above pre-war output. In India and Pakistan, 1948 production was 86 per cent higher than before the

war. The restoration of electricity production in some areas has been impeded by shortages of fuels for the generation of thermo-electric power. Despite the increases in the output of electrical energy that have occurred since 1937, *per capita* consumption in this region has remained extremely low. In some cases, shortage of electrical energy was a factor limiting the industrial activity of the region.

Table 71. Electricity Production in Asia and the Far East

1937, 1947 and 1948

(In millions of kilowatt-hours)

Country	*1937*	*1947*	*1948*
Total	37,586	42,072	45,510
China [a]	3,130	3,112 [b]	2,866 [b]
Ceylon	28	54	54 [b]
India and Pakistan [c]	2,532 [d]	4,216	4,715
Indochina	111 [e]	157 [b]	158
Indonesia	364	120 [f]	180 [f]
Japan	30,856	33,990 [b]	36,647 [b]
Korea, southern	271	277	479
Malaya [g]	129	106	. .
Philippines [h]	130	256	363
Siam [i]	35 [j]	40	48

Source: Statistical Office of the United Nations and other official statistics; also data compiled by secretariat of the Economic Commission for Asia and the Far East.

[a] Including Manchuria and Formosa.

[b] Estimate.

[c] From August to December 1947, Pakistan produced 12.3 million kilowatt-hours and in 1948, 130.8 million.

[d] 1939.

[e] 1936.

[f] Excluding the Republican area.

[g] Public utility only; pre-war figures for 1940.

[h] Manila only; approximately 75 per cent of the total for the Philippines in 1940.

[i] Bangkok only; approximately 93 per cent of the total for Siam.

[j] 1938.

OTHER MANUFACTURING ACTIVITY

Production of iron and steel, machinery and tools and chemicals and cement in 1948, though generally above that of 1947, remained far below pre-war levels, since most of the area's output of these goods has been concentrated in Japan. Supplies of the commodities have been far short of meeting minimum requirements of the region.

Iron and steel

The 1948 output of the iron and steel industries of the area was less than half of 1937 production levels, despite a limited improvement over the preceding year. Iron and steel are produced in significant quantities in only three countries of the region, China, India and Japan, which together in 1937 produced 4.8 million metric tons of pig-iron and ferro-alloys and 7.3 million metric tons of steel ingots and castings. Japan accounted for 40 per cent of the iron and about 80 per cent of the steel produced in the region.

Japanese production, after collapsing at the end of the war, made good progress in 1948 but reached a level only one-third of that of 1937. China's output of iron in 1947 and 1948 continued to represent a small fraction of its 1937 production; output of steel failed to reach 10 per cent of pre-war. In 1947 India's production of pig-iron was 94 per cent of the 1937 level and fell a few points further in 1948; steel output in 1947 and 1948 was about one-third higher than the 1937 level, though appreciably lower than war-time peaks.

Machinery and tools

Machinery and capital goods industries in general have not been developed in the region, except in Japan and, to a relatively limited extent, in China and India. Japanese production of machinery in 1948 reached 30 per cent of 1937, as compared with 18 per cent in 1947, enabling that country to resume limited exports of machinery to India, south-east Asia and other parts of the region. The output of China's machine tool industry has dwindled to insignificant proportions, owing to war devastation and civil disturbances. India, during and after the war, increased considerably its production of finished iron and steel products and of machinery; iron and steel manufactures in 1948 were double their 1938 volume. The production of certain types of electrical and textile machinery and of other heavy equipment was also initiated.

Machinery and capital goods imports have come from Japan, western Europe and the United States. Imports of equipment before the war ranged from about 10 to 25 per cent of the total imports of the region. Despite a serious shortage of equipment and spare parts in the region after the war, post-war imports have been considerably lower, being limited by foreign exchange resources.

Throughout the region, simple tools and farm implements to meet local needs are produced largely by small-scale industries. These industries,

of great importance to the primitive sectors of the economy of several countries of the area, have been working at a lower level than before the war, as a result of the shortage of relatively simple machinery and of iron and steel. This has tended to retard the recovery of agriculture and of local artisan production.

Chemicals, fertilizers and cement

During the post-war years, Japan's production of chemicals, which before the war represented 18 per cent of the total value of manufactured products of that country, increased from 16 per cent of the 1937 output in 1947 to 25 per cent in 1948. In India, production of chemicals in 1947 and 1948 was far below its war-time peaks but still above its relatively low pre-war level. China's output of chemicals, which is largely concentrated in Manchuria and Formosa, has remained far below the pre-war level. In other countries of the region, production of chemicals has remained very limited and chemicals had to be imported.

Before the war, the region depended primarily upon organic manures, except in Japan and Korea, which accounted for 80 per cent of the 615,400 metric tons of nitrogen fertilizers consumed in the region. Less than one-half of pre-war fertilizer consumption was provided from indigenous production; the balance was imported. The production of chemical fertilizers in the region in 1948/49 was over 256,000 metric tons, or about 8 per cent below that of pre-war, despite an increase of 20 per cent over the previous year.

The war greatly reduced cement production in many parts of the region—except in India and Pakistan. In 1948, cement production, which prior to the war was concentrated in India and Japan, was only one-half of its pre-war level, though 26 per cent higher than in 1947. Japan, which in 1935-39 accounted for two-thirds of the 8.7 million metric tons produced in the area, increased its cement production in 1948 by almost 50 per cent over the preceding year but achieved less than one-third of its pre-war output. In India and Pakistan, whose war-time peak production level was 2.2 million metric tons per annum, output increased from 1.4 million metric tons in 1947 to 1.9 million tons in 1948. The cement production of the region has been limited generally by the post-war shortage of coal and the deficit countries in the region have become more dependent upon supplies from countries outside the area.

Transport

INLAND TRANSPORT

The deterioration of the limited transport facilities of the region during the war and post-war period, owing to war-time destruction, civil disturbances and lack of maintenance and replacement, has seriously affected the movement of foodstuffs and raw materials. As a result, existing production facilities could not be utilized fully in some areas and rice surpluses in certain countries could be exported only in part.

The length of railway lines in the countries of Asia and the Far East in 1948 is estimated at 5 per cent under that of 1938, when it totalled about 124,000 kilometres. China, India and Japan accounted for about 85 per cent of the total. During the war there was a substantial decrease in the railway mileage of most countries of the area, with the notable exception of Japan, where it increased slightly, and of the Indian sub-continent, Ceylon, Indonesia and Siam, where little change was registered.

There were substantial post-war increases as compared with pre-war in the numbers of locomotives and freight cars in China, India, Japan, Pakistan and Siam, but in other countries the rolling stock position had on the whole deteriorated. Similarly, the number of commercial vehicle registrations increased considerably in Ceylon, China, India, Japan, Korea, Malaya and the Philippines, though declines were recorded in Indonesia and Siam. Post-war highway mileage was higher than that of pre-war in Ceylon, China, India, Pakistan and Siam; it was less than pre-war in Burma, Indochina and Japan. Water transport in 1948 registered substantial gains but remained below pre-war levels.

The volume of traffic, especially passenger traffic, in the larger countries of the region, was substantially above that of pre-war in 1947 and 1948, as shown in table 72.

The increase in passenger traffic may be accounted for in large part by population movements

Table 72. Railway Traffic in Certain Countries of Asia and the Far East
1937, 1947 and 1948

Country	Freight traffic			Passenger traffic		
	1937 (In millions of ton-kilometres)	1947 (Percentage of 1937)	1948 (Percentage of 1937)	1937 (In millions of passenger kilometres)	1947 (Percentage of 1937)	1948 (Percentage of 1937)
China [a]	3,059	189	161	2,802 [b]	588 [b]	513 [b]
India [c]	35,610	99 [d]	92 [d]	30,336	182	196
Japan	18,254	108	129	29,052	303	294

Source: Statistical Office of the United Nations.
[a] Including Formosa.
[b] If 1936 were taken as a base, the percentages would be reduced to less than half.
[c] Class 1 railroads; beginning March 1947, excluding Pakistan.
[d] If freight traffic on all railways is included, the volume was about 18 per cent above pre-war.

connected with territorial changes and civil disturbances, while that of freight traffic probably reflects to some extent intensified movements of goods owing to shortages and reconstruction needs. The expansion of traffic was made possible by intensive exploitation of rolling stock. The resulting acceleration in the rate of deterioration of equipment may have adverse consequences for later years.

In the smaller countries of the region, railway traffic in 1947 and 1948 was generally below that of pre-war, especially in Indochina and Burma, where the volume of freight traffic in 1948 was only about 25 and 45 per cent, respectively, of pre-war.

OCEAN SHIPPING

While the Japanese merchant fleet in 1948 was only one-sixth of its pre-war tonnage of 5.1 million tons, other countries in the region increased their merchant fleets from the pre-war level of 341,700 tons to 773,100 tons in 1947 and 1,055,800 in 1948. The pre-war tonnage of China was more than tripled, as shown in table 73, and that of India and the Philippines more than doubled.

The net tonnage of vessels entered and cleared,[1] in seven countries [2] of the region for which data are available, increased in 1948 by 21 per cent over 1947, but was still 35 per cent below the pre-war level. Prior to the war, countries in the region shipped in foreign or Japanese bottoms. Since the end of the war United States and European merchant fleets have filled most of the gap left by the loss of Japanese tonnage. Expenditures for shipping services for the region as a whole represent a significant item in the balance of payments.[3]

Table 73. Tonnage of Merchant Fleets in Asia and the Far East
Pre-war, 1947 and 1948
(In thousands of gross registered tons)

Country	Pre-war	1947	1948
Total	5,444	1,701	1,907
Japan	5,102	928	852
China	204	441	664
India	135	252	293
Other countries	3	80	98

Source: United States Maritime Commission.

CIVIL AVIATION

Civil aviation expanded rapidly in the region in the post-war period, especially in large countries such as China and India. In China, the volume of freight and mail traffic, which was negligible prior to the war, reached 39 million ton-kilometres in 1948,[4] and that of passenger traffic increased from fewer than 18 million passenger-kilometres in 1937 to an estimated 453 million in 1948. In the Indian sub-continent the volume of freight and mail traffic increased from about 360,000 ton-kilometres in 1939 to 3.8 million in 1947, while that of passenger traffic expanded from a negligible volume in 1939 to an estimated 242 million passenger-kilometres in 1947. The growth of air transport in other countries was less rapid.

[1] In international trade.
[2] Ceylon, China, Hong Kong, India, Indochina, Malaya and Siam.
[3] India's average annual expenditure for foreign shipping services in the period 1946 to 1948, inclusive, is estimated at $300 million.
[4] China, Ministry of Budgets, Accounts and Statistics, *The Statistical Monthly* (in Chinese), November and December 1948; figure does not include all airlines; total is estimated at 60 million ton-kilometres.

Inflationary and Deflationary Tendencies

Available data indicate that in a number of Far Eastern countries inflationary pressures, as reflected in the rate of increase of cost of living and wholesale price indices, were moderated to some extent during 1948. Table 74 shows that there was a tendency for cost of living indices to begin levelling off in Burma, Ceylon, Hong Kong, Malaya and the Philippines. Nevertheless, all countries continued to experience the effects of inflation. At the end of 1948, cost of living indices were still rising in China, India, Indochina, Indonesia, Japan, Pakistan and southern Korea.

The main factors responsible for post-war inflation in the Far East include the very low level of the supply of goods as compared with pre-war, and a high level of effective demand associated with increasing government deficits; the large volume of accumulated liquid funds in the hands of the public; and also, in some countries, expanded private investment. The situation was aggravated by civil war in China and by the armed conflict in Indochina and Indonesia.

High post-war budget deficits have been largely due to heavy military expenditures in some countries, the increasing role played by the governments in economic development and the expansion of social services. Thus, for example, 44 per cent of the Indian budget appropriation for 1948/49 was allocated to economic development; the corresponding figure in Ceylon for 1947/48 was 34 per cent. Similarly, post-war appropriations for social services were increased considerably in relation to pre-war years in such countries as Ceylon, China, India and the Philippines.

Before the war, direct taxes were not an important source of revenue for the central governments in the region, except in Japan. Income taxes yielded only 10 to 15 per cent of total government revenues in Burma, Ceylon, India and the Philippines, and relatively smaller proportions elsewhere in the Far East. One of the most significant post-war developments in public finance in the region has been the increase in the relative importance of direct taxation. Thus, in 1948, direct taxes accounted for from 15 to 45 per cent of total revenues in most countries in the area. In India, for example, the proportion of total revenue derived from direct taxes rose from 12 per cent before the war to 40 per cent in 1948; in Japan, from 26 to 44 per cent in 1947; and in China, from less than 2 per cent to 19 per cent in 1948. On the other hand, part at least of the increases in the proportion of revenues derived from direct taxes was due to the fall in revenue from indirect taxation caused by low levels of production and trade, rather than by government policy.

Table 74. Cost of Living Indices in Certain Countries of Asia and the Far East

1947 and 1948

(1937 = 100)

Country	1947 quarters				1948 quarters			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Burma (Rangoon)	365	404	414	371	347	347	377	370
Ceylon (Colombo) [a]	249	256	253	250	257	262	262	261
China (Shanghai) [b]	946 [b]	1,945 [b]	3,186 [b]	6,236 [b]	15,469 [b]	36,116 [b]	238,087 [b]	. .
Hong Kong [c]	609	540	539	503	558	518	536	522
India (Bombay)	251	258	269	273	261	280	301	301
Indochina (Saigon) [d]	2,255	2,397	2,593	2,785	2,968	3,257	3,465	3,821
Indonesia (Batavia) [e]	3,178	2,478	1,897	1,852	1,664	1,170	1,104	1,302
Japan	124	163	221	256	299	332	411	433
Korea (Seoul)	27,967	30,508	35,220	44,947	56,028	59,762	65,617	68,648
Malaya [f]	99	91	91	89	90	87	86	85
Pakistan (Karachi) [g]	. .	. .	307	317	328	344	365	372
Philippines (Manila)	468	432	430	407	414	396	408	415
Siam (Bangkok)	1,240	1,426	1,237	1,139	1,318	1,305	1,195	1,170

Source: Statistical Office of the United Nations, except data for Siam, supplied by the secretariat of the Commission for Asia and the Far East.

[a] November 1938-April 1939 = 100.

[b] In thousands.

[c] January-March 1939 = 100.

[d] January-June 1939 = 100.

[e] Food only; July 1938 = 100.

[f] 1947 = 100.

[g] Week ending 19 Aug. 1939 = 100; wholesale price only.

Many countries of the region appear to have decreased their budget deficits between 1947 and 1948 and in a few cases to have achieved a virtually balanced budget. In Burma and China, however, the budgetary position was distinctly more unfavourable in 1948 than in the preceding year.

Changes in import and export surpluses in 1947 and 1948 do not appear to have affected materially the inflationary situation in most countries of the Far East. The sharp decrease in the import surpluses of China and Indonesia contributed no doubt to the deterioration which occurred in those countries.

Available data for India indicate that the most important sources of inflationary pressure in 1946 and 1947 were the budget deficits, incurred mainly for public investment, and the high volume of private investment, while real private income *per capita* was lower than pre-war. Since rationing was partial and the prices of rationed goods were not very low in relation to black market prices, there was a considerable deterioration in real wages and a relative shift to profits. During 1947 the supply of goods did not improve and increases in wages were less than increases in prices. During 1948 an increase in private investment was offset by a reduction in the budget deficit and the supply of consumption goods did not improve materially over the previous year. At the end of 1947, the Government had embarked on a programme for the reduction of the scope of rationing and price control, as a result of which prices of grain and consumption goods rose immediately and continued to increase generally throughout 1948. Controls were therefore reinstated on food and cotton textiles in the second half of 1948. At the beginning of 1949 there was a tendency for the cost of living index at Bombay to fall, but it was not yet clear how far this represented a general trend towards the easing of inflationary pressures.

The Chinese inflation which began during the war with Japan had already developed into hyper-inflation before 1946. In 1945, the black market rate of interest had overtaken the rate of increase of wholesale prices. The hyper-inflation was sustained by large budget deficits associated with civil disturbance and financed by the issue of money or bank credit.

During 1947 wholesale prices rose more than twice as much as the money supply because of increased velocity of circulation, which in turn was caused by the persistent and extremely rapid increase in prices. Thus, the rise in velocity of circulation and the price increase tended to reinforce each other. This acceleration of the hyper-inflationary process continued until the monetary reform of August 1948. This reform provided for exchanging old Chinese dollars into new gold yuans at the rate of 3 million to 1. Nevertheless, the underlying hyper-inflationary factors had not been removed, and after an interval of less than three months, the price controls which had been introduced under the monetary reform broke down and hyper-inflation developed again.

In Indochina, Japan and southern Korea, inflation continued in 1948, but on a less drastic scale than in China. By the end of 1948, the Japanese cost of living was over four times the average level at the beginning of 1947; early in 1949 there was no sign of any improvement, despite the somewhat lower budget deficit in 1948 than in the previous year. In Indochina the general economic situation continued to deteriorate in the absence of internal stability. In Indonesia likewise the situation has fluctuated with political and military events in the country. The average level of the cost of living index was much lower in 1948 than in the previous year, in spite of the substantial increases in the fourth quarter of 1948. In February 1949, the Indonesian cost of living again fell sharply.

In most of the remaining countries in the area, not discussed above, there was during 1948 some tendency for inflationary pressures to diminish in intensity as a result primarily of the improved supply of goods with increasing production and imports, but no significant fall in prices had yet occurred.

International Trade and Finance

Owing to the lag in the recovery of agriculture and industry in Asia and the Far East, the foreign trade of the region since the end of the war has fallen considerably short of pre-war levels. Although the region as a whole, which had an export surplus prior to the war, increased its volume of

exports significantly from 1947 to 1948, it had a substantial import surplus in 1948, as in earlier post-war years. The volume of exports in 1948 was substantially below pre-war levels. Imports into the region also appeared to be below their 1937 volume in 1947 and 1948, although they did not decline so much as exports from pre-war levels. The contracted level of trade has been particularly serious, because of the importance of trade to the domestic economy of most countries of the area; the ratio of exports to national income before the war was very high in several of these countries, with the notable exception of China and India.

The quantum of exports for India in 1948[1] was only 58 per cent of 1937—a decline of several points from the preceding year. China's exports in 1947 and 1948 were between one-half and two-thirds of their pre-war volume. The quantum of exports from Indochina in 1948 was only 39 per cent of 1937, having increased from 24 per cent in 1947. Japanese exports registered significant gains in 1948 but were only a fraction of pre-war exports. Ceylon alone, of the countries of the area, had exceeded its pre-war volume of exports throughout the years 1945 to 1948. In 1948 the volume of Ceylon's exports averaged 29 per cent above the level of the pre-war period 1934 to 1938. The estimated value of merchandise trade in Asia and the Far East in current prices is shown in table 75.

The quantum of imports of India in 1947 and 1948 was over 80 per cent of 1937. Shipments from the United Nations Relief and Rehabilita-

Table 75. Value of Merchandise Trade [a] in Asia and the Far East

1937, 1947 and 1948

(In millions of United States dollars in current prices)

Country	1937		1947		1948	
	Imports	Exports	Imports	Exports	Imports	Exports
Burma	87 [b]	190 [b]	138 [c]	124 [c]	252 [c]	172 [c]
Ceylon	91	124	293	267	297	304
China [d]	279	246	451	216	267	184
Hong Kong	280	254	392	318	497	385
India	665 [b]	712 [b]	1,300 [e]	1,215 [e]	1,413 [e]	1,291 [e]
Pakistan			27 [f]	65 [f]	254	261
Indochina	62	102	126	56	190	96
Indonesia	276	549	284	130	434	393
Japan [g]	1,363	1,200	526	174	683	259
Malaya	405	525	649	617	851	828
Philippines [h]	121	139	560	240	628	291
Siam	51 [b]	75 [b]	112	98	. .	. .
Total, above countries	3,680	4,116	4,858	3,520	5,766 [i]	4,464 [i]

Source: Statistical Office of the United Nations.

[a] General trade except for China, Indochina and Indonesia, where data relate to special trade.

[b] Year commencing 1 April 1937.

[c] Year ending 30 September.

[d] Excluding Manchuria and trade therewith.

[e] Excluding the direct foreign trade of western Pakistan from 1 August 1947 and of eastern Pakistan from 15 August 1947; also excluding India-Pakistan trade prior to 29 February 1948.

[f] 15 August to 31 December 1947.

[g] Including Japan's trade with Korea and Formosa.

[h] Imports reported f.o.b. and exports c.i.f.; arbitrarily adjusted to a c.i.f. basis for imports and an f.o.b. basis for exports.

[i] Excluding Siam.

tion Administration [2] helped to maintain Chinese imports in 1946 and 1947, but in 1948 imports declined sharply and were well below the pre-war level. The quantum of imports of Indochina, 24 per cent below pre-war in 1947, increased in 1948 to 113 per cent of the 1938 figure. Japanese imports, exclusive of wheat and other food items, were only a small percentage of their pre-war volume. Ceylon's imports in 1948, however, were substantially above pre-war levels.

[1] Average of the last ten months of 1948.

[2] Excluding shipments of the United Nations Relief and Rehabilitation Administration, the quantum of imports in 1947 was about one-eighth below pre-war.

DIRECTION OF TRADE

The most significant development in the post-war years in the trade of Asia and the Far East with countries outside the region was the sharp increase in trade with the United States, due to increasing imports from that country. The share of the United States in 1948 in the total trade of the region, which before the war was from 15 to 20 per cent and was particularly important in the trade of China, Japan and the Philippines, was generally much above pre-war although below that of 1947. The share of the former metropolitan Powers in the trade of former non-self-governing areas of the region as a whole, except for Ceylon, India and Pakistan, was little different from that which prevailed before the war, when 30 per cent of the trade of Burma, Ceylon, Hong Kong, India, Indochina, Indonesia, Malaya and the Philippines represented imports to, and exports from, the metropolitan Powers. In Ceylon, India and Pakistan, however, the percentages of imports from, and exports to, former metropolitan Powers in 1948 were very much below those of 1938, the share of the Middle East and of the United States having increased.

The physical volume of intra-regional trade declined sharply after the war, owing largely to the reduction of trade between Japan and other countries of the region and to the curtailment of rice exports from the Indochinese peninsula. Before the war, intra-regional trade consisted mainly of large-scale rice exports from Burma, Indochina and Siam to Ceylon, China, India and other food deficit areas in the region, and of considerable exports of manufactured goods from Japan to other countries in the region, in exchange for primary products. The decline in the volume of intra-regional trade, which before the war represented 40 to 45 per cent of the total trade of the region, was much greater than that in trade with countries outside the area.

COMPOSITION OF TRADE

With the exception of Japan, the underdeveloped countries of the region continued, as before the war, to be exporters mainly of primary products and importers of manufactures. The exports from the area consisted of foodstuffs other than cereals (tea, sugar, fats and oils, eggs and egg products, etc.), of agricultural raw materials

Table 76. Composition of Trade of Certain Countries of Asia and the Far East
1938, 1947 and 1948 [a]
(In percentage of total value)

Country and year	Imports			Exports		
	Food-stuffs	*Raw materials*	*Manu-factures*	*Food-stuffs*	*Raw materials*	*Manu-factures*
Ceylon:						
1938	50	7	43	70	29	1
1947	56	5	39	72	27	1
1948 [b]	53	11	36	70	29	1
China:						
1937	14	8	78	21	38	41
1946	11	26	63	15	42	43
India: [c]						
1938	13	24	61	24	44	30
1947	13	23	62	18	32	48
1948	19	23	57	19	24	57
Japan:						
1937	7	80	13	10	4	86
1947	56	39	5	3	17	80
1948	47	44	9	5	23	72
Malaya:						
1938	30	23	47	1	54	45
1947	34	20	46	11	68	21
1948 [d]	36	17	47	9	60	31
Siam:						
1938	15	14	71	60	39	1
1946	23	12	65	76	22	2
1947	15	10	75	61	28	11

Source: Official statistics.
[a] Or approximate years.
[b] First nine months only.
[c] Remainder represents unclassified imports and exports.
[d] First ten months only.

(raw silk, jute, hard fibres, rubber, tung-oil, palm-oil, etc.); and of minerals (tin, tungsten, antimony, manganese, bauxite, chromite, mica, sulphur, etc.). Imports consisted mainly of woven fabrics, chemicals and machinery.

Certain new factors and tendencies may be noted. The region changed from a net exporter of foodstuffs prior to the war to a net importer and, owing to the failure of food production to keep pace with the increase in population, may continue for a few years to be a net importer of food. On the export side, some leading export commodities of the region, such as rubber, silk and hard fibres, have been threatened with a declining market, because of the rise in the production of synthetics or increasing production of these commodities outside the region. There has also been a tendency in some countries of the area to reduce exports of raw materials in favour of exports of semi-manufactured or manufactured goods incorporating such materials.[1] In India, particularly, the percentage of raw materials in total exports has decreased and that of manufactures has increased in the post-war years, as shown in table 76.

BALANCE OF PAYMENTS

Before the war, most countries of the region had visible export surpluses which were offset by outward payments on invisible items. Most of the countries were debtors to the industrial countries of Europe, especially to the metropolitan Powers, and were largely dependent on Europe for imports of manufactured goods and for services—shipping, banking, insurance, etc. They had an export surplus, however, with the United States, to which they sent large quantities of raw materials. This export surplus was employed to service foreign investments—including external loans—and to meet deficits on visible and invisible accounts with Europe. China and Japan, however, were important exceptions to this general pattern. In the case of China, trade deficits were partly offset by large remittances from emigrants overseas; and, in the case of Japan, they were more than offset by earnings on services.

The system broke down in the post-war period, owing to the sharp decline in exports and to the large increase in import requirements in all countries of the region. The aggregate merchandise trade balance of the leading countries in the region was changed from a pre-war surplus equal to more than $400 million[2] to a deficit of over $1,300 million in 1947 and 1948, as shown in table 77.

Table 77. Merchandise Trade Balance of Asia and the Far East
1937, 1947 and 1948
(In millions of United States dollars in current prices)

Country	*1937*	*1947*	*1948*
Burma	103	−14	−80
Ceylon	33	−26	7
China	−33	−235	−83
Hong Kong	−26	−74	−112
India	47	−85	−122
Pakistan		38	7
Indochina	40	−70	−94
Indonesia	273	−154	−41
Japan	−163	−352	−424
Malaya	120	−32	−23
Philippines	18	−320	−337
Siam	24	−14	. .
Total, above countries	436	−1,338	−1,302

Source: Statistical office of the United Nations; data based on table 75; see footnotes to that table.
Export surpluses, except where minus (−) indicates excess of imports over exports.

Whereas nearly all countries in the region had a visible export surplus in 1937, virtually none had such a surplus in 1947 and only a few in 1948. Japan and the Philippines accounted for nearly 60 per cent of the 1948 deficit of the region. The post-war trade deficits were further aggravated by the dollar shortage of the area, which resulted from the increase in imports from the United States and from the transformation of the region's pre-war export surplus with that country into an import surplus associated with lack of convertibility of certain currencies.

At the same time, receipts of the countries of the region from invisible items were reduced substantially in the post-war period. In China, remittances from emigrants were considerably less, owing to restrictive policies introduced by countries in south-east Asia and to exchange and currency difficulties. Japanese earnings from services almost disappeared. The dollar shortage and the scarcity of certain other currencies were aggravated by the replacement of Japanese shipping

[1] The manufactured products are mainly for markets in the region.

[2] All figures in current prices.

services by the United States and countries outside the region, as well as by the increase in freight rates. The balance of payments position was also affected by the low inflow of private capital from outside the region, relative to the pre-war period, and by the flight of capital from certain countries in the region because of political and financial disturbances. On the other hand, despite a serious adverse balance of trade, the Philippines had a current dollar surplus, because of heavy special receipts from the United States on services account—army and navy expenditure, expenditure for war damage, veterans' pensions, personal disability claims, etc.

The reduction or liquidation of the foreign debts of a number of countries of the area, such as Ceylon, India and Pakistan, lowered outward payments for servicing such debts. In addition, foreign exchange balances were accumulated in the war years in a number of countries. The most important of these were the sterling balances held by Ceylon, India, Pakistan and other Asian countries in the sterling area. The establishment of national financial institutions in various countries in the region also tended to reduce outward payments for banking and insurance services.

Balance of payments deficits in the Far East were financed partly from foreign exchange and gold reserves but chiefly by international grants and credits. From the end of the war to November 1948, international grants and credits to the countries of the region totalled $3,640 million, of which $2,814 million came from the United States, $590 million from international agencies and $236 million from the United Kingdom and other governments. China received the largest part of these grants and loans, amounting to $1,959 million, mainly from the United Nations Relief and Rehabilitation Administration, the United States lend-lease programmes and from other United States programmes of assistance. Japan, southern Korea and the Philippines received relief and rehabilitation grants from the United States, amounting to $857 million, $270 million, and $171 million, respectively. Indonesia's share in the allotment to the Netherlands under the European Recovery Program has been reported as $104 million. Assistance to Burma, mostly from the United Kingdom, amounted to $127 million during this period. India, Pakistan and Siam, together, received external aid amounting to about $100 million.

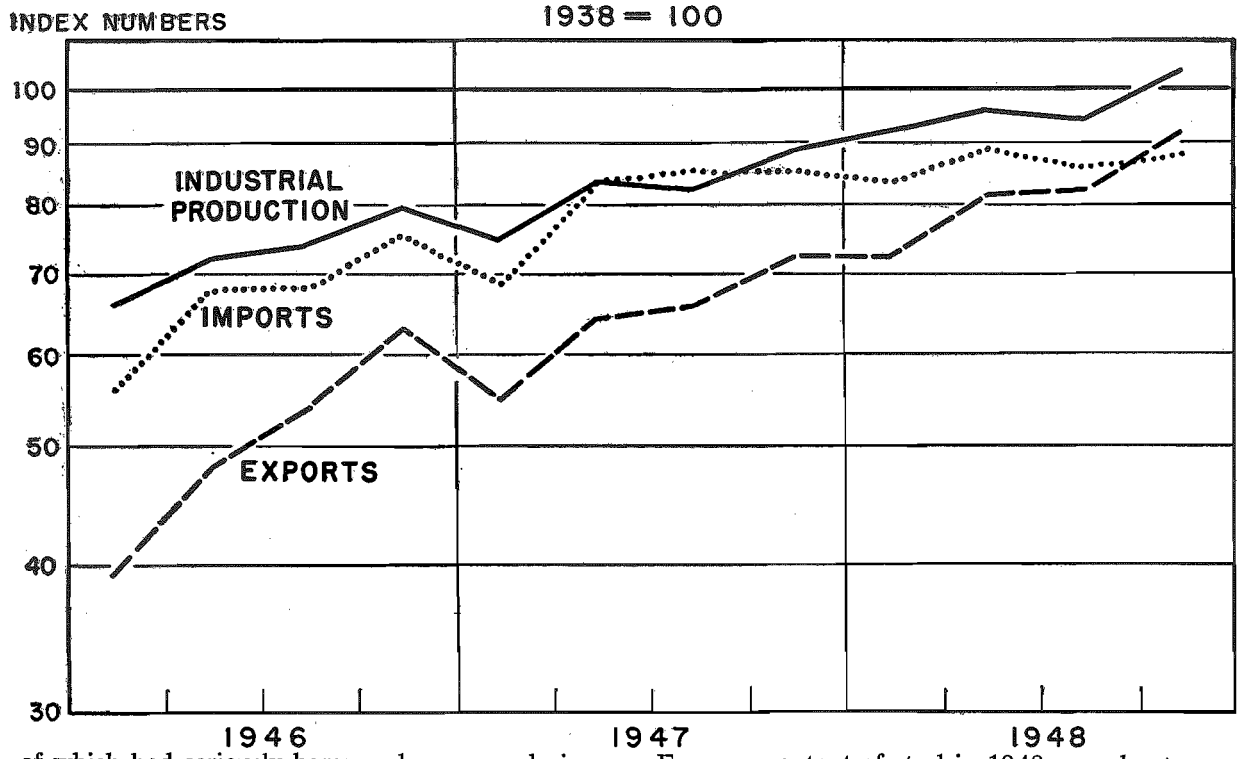
Chapter 4

EUROPE [1]

Significant economic progress was made by nearly all European countries during 1948. Production of the major food crops in Europe (excluding the USSR) rose to approximately 90 per cent of the average during the pre-war years 1934-38, and was above the output of that period in the United Kingdom and in the Union of Soviet Socialist Republics. Food consumption levels were much higher than in the earlier post-war years.

Industrial production in a group of European countries, excluding the Union of Soviet Socialist Republics, rose to 96 per cent of the level of 1938; excluding Germany, the level of production was 13 per cent higher than in 1938. In the Union of Soviet Socialist Republics, industrial production in 1948 was 18 per cent higher than in 1940 and a further increase took place in the first quarter of 1949. The output of industry in Germany rose sharply during 1948 and reached 80 per cent or more of 1936 levels early in 1949. These industrial advances were made possible by improved supplies of raw materials and of coal, the shortage of which had seriously hampered progress during 1947 and earlier years. Production in the heavy industries continued to rise more rapidly than in other industrial groups. Excluding Germany, European output of steel in 1948 was about one-sixth higher than in 1938 and still greater increases were characteristic of the chemical and engineering industries.

Chart 13. Relative Movements of Industrial Production, Imports and Exports for Europe (excluding USSR)
(Logarithmic scale)



[1] This account is based largely upon the *Economic Survey of Europe in 1948* prepared by the secretariat of the United Nations Economic Commission for Europe and published in Geneva in May 1949. Most of the data and statistical tables are likewise derived from that survey and may, in some cases, differ from estimates elsewhere in this report. In particular, it will be noted that most index numbers in this chapter are computed on a 1938 base.

The improvement in oversea exports was greater than in production. The volume of oversea exports increased by 30 per cent over 1947 and exceeded the 1938 level, while the volume of oversea imports declined by 6 per cent, to 7 per cent above the pre-war level. A sharp fall in imports from the United States was offset by increased imports from other oversea areas and from European sources. At the same time, intra-European trade, despite considerable improvement during 1948, remained severely depressed at some 30 per cent below the 1938 volume, and east-west trade lagged still further. The problem of the deficits in the balances of payments of many countries continued to be serious, though the situation was somewhat better than in 1947.

The recovery in industrial production and trade is illustrated in chart 13.

A greater measure of internal economic stability was achieved during 1948; in most countries the rate of increase in prices was definitely slower than in the preceding year, as a result of improved supplies of goods and active anti-inflationary measures by governments. The volume of real net investment exceeded the 1938 level by about one-quarter, but budget deficits were generally reduced from the previous year; in some countries surpluses of revenue over current expenditure provided a major source of finance for capital investment. In Belgium and Italy there was evidence of marked deflationary tendencies.

Early in 1949 there were signs that progress in some countries might not continue at the same rate as in 1948. The rate of advance of industrial production in the first quarter of 1949 was lower than in the fourth quarter of 1948. Unemployment figures rose in Austria, Belgium, Finland, France, Germany (western zones), Italy, the Netherlands and Switzerland, though they were still very low in relation to corresponding levels before the war. European export goods, the prices of which had risen to levels substantially higher than those of the United States, encountered increasingly competitive markets, and the export figures of the United Kingdom for April 1949 showed a significant drop.

Supply of Foodstuffs [1]

More favourable weather conditions in Europe during 1948, after the severe winter and drought of 1947, resulted in a much higher level of food production than in the previous year in almost all parts of Europe.

PRODUCTION

Table 78 sets forth data on European pre-war and post-war grain production.

The index of European production[2] of the major food crops—grains, sugar and potatoes—rose in 1948 to approximately 87 per cent of the average during the pre-war period 1934-1938. Production of these crops continued to lag well below pre-war levels in most countries, with notable exceptions in the cases of Denmark, Hungary, Switzerland and the United Kingdom. In the Union of Soviet Socialist Republics, increased acreages and higher yields per hectare resulted in a 1948 grain harvest that was 11 per cent above 1934-38 average; production of potatoes, sugar beets and oil-seeds was also higher than in 1947.

The livestock position remained serious. The average level of output was about two-thirds of pre-war and the consequences of slaughtering a large number of animals during the drought of the previous year were felt during 1948. Meat production was particularly low in Austria, Czechoslovakia, Germany and the Netherlands; only France, Iceland and Portugal exceeded pre-war production. Although the rebuilding of herds has been progressing generally throughout Europe, the numbers of animals as well as yields per animal were still considerably below pre-war. Milk yields per cow were low as a result of insufficient feedstuffs and milk production, though increasing, was still at a low level, except in the United Kingdom, where it was nearly one-fifth above pre-war. In the Union of Soviet Socialist Republics the numbers of cattle, sheep and goats were back to 1940 levels by the end of the year.

European production of vegetables in 1948/49 was substantially above the previous year, and

[1] Differences between the data contained in this section and those in the *Economic Survey of Europe in 1948* are due to the availability of more recent estimates by the Food and Agriculture Organization of the United Nations since the publication of that survey.

[2] Except the Union of Soviet Socialist Republics.

Table 78. Grain Production in Europe
1934–38, 1947/48 and 1948/49
(In thousands of metric tons)

Country	All grains [a]			Bread grains [b]			Coarse grains [c]		
	1934-38	1947/48	1948/49 [d]	1934-38	1947/48	1948/49 [d]	1934-38	1947/48	1948/49 [d]
Total Europe (excluding USSR)	116,300	78,700	101,500	61,400	35,200	51,800	54,900	43,500	49,700
Albania [e]	134	140	. .	. .	. .	. .	134	140	. .
Austria	1,851	858	1,068	956	466	614	895	392	454
Belgium [f]	1,620	981	1,083	874	284	526	746	697	557
Bulgaria [g]	3,357	1,998	995	1,957	1,007	. .	1,400	991	995
Czechoslovakia	5,627	3,358	4,607	3,081	1,842	2,522	2,546	1,516	2,085
Denmark [f]	2,772	2,434	3,101	645	233	654	2,127	2,201	2,447
Finland [f]	1,311	976	1,202	482	389	364	829	587	838
France	15,099	7,790	13,023	8,912	3,650	8,031	6,187	4,140	4,992
Germany [h]	16,467	9,789	12,755	9,278	5,559	7,865	7,189	4,230	4,890
UK and US zones	8,877 [i]	4,946 [i]	6,979 [i]	4,944 [i]	2,870 [i]	4,397 [i]	3,933 [i]	2,076 [i]	2,582 [i]
French zone and Saar	1,340 [i]	706 [i]	906 [i]	703 [i]	388 [i]	568 [i]	637	318 [i]	338 [i]
Greece	1,371	1,102	1,339	813	618	810	558	484	529
Hungary	6,101	3,929	6,516	2,917	1,582	2,315	3,184	2,347	4,201
Ireland [f]	886	1,076	780 [j]	180	323	. .	706	753	780 [j]
Italy	11,152	7,321	9,215	7,395	4,771	6,248	3,757	2,550	2,967
Luxembourg [k]	56	47	43	12	7	13	44	40	30
Netherlands [f]	1,401	1,019	1,134	926	507	680	475	512	454
Norway [f]	372	261	343	67	48	77	305	213	266
Poland [f]	13,281	6,242	8,765	8,819	4,088	5,950	4,462	2,154	2,815
Portugal	1,006	1,018	908	574	468	408	432	550	580
Romania [l]	7,921	6,988	. .	2,765	1,345	. .	5,156	5,643	. .
Spain	8,688 [m]	5,983	6,626	4,915 [m]	3,451	3,774	3,773 [m]	2,532	2,852
Sweden [f]	2,575	1,396	1,983	1,105	542	1,007	1,470	854	976
Switzerland [f]	224	341	360	194	212	240	30	129	120
United Kingdom [f]	4,555	5,909	7,432	1,754	1,716	2,362	2,801	4,193	5,070
USSR	98,400	. .	112,000	. .	. .	. .	. .	. .	. .

Source: Food and Agriculture Organization of the United Nations. Totals include estimated data for certain areas for which details are not shown.

[a] Wheat, rye, barley, oats and maize.
[b] Wheat and rye.
[c] Barley, oats and maize.
[d] Preliminary.
[e] Maize only.
[f] All grains and coarse grains: not including maize.
[g] Oats and maize only in 1948/49.
[h] All grains: including spelt but not maize; bread grains: including spelt; coarse grains: excluding maize.
[i] Estimates.
[j] Oats only.
[k] All grains: rye and oats only; bread grains: rye only; coarse grains: oats only.
[l] Excluding oats in 1947/48.
[m] Average 1931-35.

large exportable surpluses were available in such countries as Denmark, Italy and the Netherlands. The production of fruit declined in some western European countries.

Of the requisites for agricultural production, the fertilizer position improved substantially in western Europe, but serious shortages continued to exist in some parts of eastern Europe. Tractor output in 1948 was over 30 per cent higher than the previous year in the United Kingdom and production in several other countries also expanded considerably. Production of improved seeds was being restored gradually, but the quality of seed in use was not yet back to pre-war.

CONSUMPTION

Consumption levels were considerably higher in many European countries in 1948 than in the earlier post-war years. In western Europe, grain production in 1948 continued to be supplemented by imports, which were considerably larger than in the previous year and came mainly from the western Hemisphere. Eastern Europe in general was still a net importer of grains, but the Union of Soviet Socialist Republics was able to begin exporting substantial quantities to the rest of Europe and elsewhere.

In most European countries, the supply of meat and fats remained well below pre-war. The United Kingdom cut meat rations early in 1949 as a result of lowered supplies from Argentina. Polish consumption was held down in order to allow for export. In general, meat consumption in most countries was between 60 and 90 per cent of pre-war. Ireland and Iceland consumed more

meat per person than before the war; these two countries and Belgium were the only countries with a higher supply of fat per person than pre-war.

On the other hand, fruit and vegetable consumption was much improved, and some surplus countries were having difficulty in disposing of their exports.

As a result of improved supplies of food over the past year, both from domestic production and from imports, a general relaxation of price controls and rationing systems has taken place. In some countries in which there had been no effective price controls nor subsidies to keep prices down, there were declines in prices during 1948, notably for vegetables, fruit and potatoes. In the Union of Soviet Socialist Republics rationing was abolished at the end of 1947, and improved supplies allowed prices to be reduced. Other countries which had been subsidizing food consumption tended to reduce their subsidies as a means of easing the burden on national budgets; and this resulted in some increase in prices in the commodities affected.

PROSPECTS

The prospects for European food production at the end of the first quarter of 1949 were good, provided there were no adverse weather conditions before the harvest. Changes in acreage in western Europe in 1948/49 were not very large, but in eastern Europe an expansion, particularly of wheat acreages, took place; in Czechoslovakia some wheat acreage was replaced by oleaginous crops. Significantly higher European meat production was anticipated in 1949.

Increased domestic production of food seemed likely to reduce the requirements of the European importing countries from abroad. Nevertheless these deficit countries were still likely to need substantial supplies from overseas, including a large part of exportable surpluses available from North America. Opportunities for further progress in reducing dependence on hard currency areas for food imports were presented by increased supplies available from European sources, and particularly from eastern Europe.

The outlook for meat supplies was also somewhat improved early in 1949. Here again it seemed possible that eastern Europe, and particularly Poland, might be able to provide the deficit countries with some part of their requirements, though only at the expense of domestic consumption. Declines in feedstuff prices improved the export prospects of Denmark and Netherlands.

The fruit and vegetable production and export programmes of a number of European countries indicated that the problem of disposing of surpluses, already in evidence during 1948, might become more serious during 1949.

Industrial Production

GENERAL LEVELS

European industrial production in 1948 increased substantially over the 1947 level. Available data show that fourteen European countries, not including the Union of Soviet Socialist Republics or Germany, had already, on the average, reached their 1938 level of output in the course of 1947. In 1948 their industrial production was 13 per cent above pre-war[1] rising to 17 per cent above pre-war in the last quarter. The increase in production from 1947 to 1948 was only slightly less than the increase from 1946 to 1947. Again, comparing each quarter of 1947 and of 1948 with the corresponding quarter for the previous year, it can be seen in table 79 that, while progress in the last two quarters of 1948 was less than in 1947 it still proceeded at a substantial rate.

[1] The term "pre-war" in this chapter normally refers to the year 1938. It should be borne in mind that in three of the most important European industrial countries, namely Belgium, France and the United Kingdom, the indices of industrial production in 1938 were 19 per cent, 8 per cent and 6 per cent, respectively, below the level in 1937.

Table 79. Industrial Production in Europe (excluding Germany and USSR)
1947 and 1948
(Previous year or corresponding quarter of previous year = 100)

Period	*1947*	*1948*
Year	114	113
First quarter	116	121
Second quarter	117	112
Third quarter	112	109
Fourth quarter	112	109

Source: Secretariat of the Economic Commission for Europe, *Economic Survey of Europe in 1948* (Geneva, 1949).

Industrial production in the Union of Soviet Socialist Republics made a further rapid advance in 1948, when it was 27 per cent higher than in 1947; output exceeded the 1940 level, which had been reached in the closing months of 1947, by 18 per cent. In the first quarter of 1949, industrial production increased 23 per cent over the first quarter of 1948.

A rapid recovery took place in the western zones of Germany where output, which before the war accounted for about one-sixth of the total industrial production of Europe, was in 1946 only about one-third of pre-war. In the course of the following year industrial production rose very slowly, to some 40 per cent of the 1938 level. However, early in 1948, production began to rise and continued to do so at an accelerated rate in the second half of the year. Production in the western zones of Germany thus reached 57 per cent of the 1938 level in the third quarter of 1948, and 64 per cent in the last quarter. The index of industrial production in the USSR zone of Germany reached 51 per cent of the 1938 level (60 per cent of 1936) by the end of 1947. During 1948 industrial production increased by about 10 per cent, to 56 per cent of 1938 output. Early in 1949 production in both the eastern and western zones of Germany rose to 80 per cent or more of 1936 levels.

The progress of industrial production was fairly evenly spread among other countries of Europe, as shown in table 80. In a few countries, like Poland, where the actual increase from 1947 to 1948 was 28 per cent, there was a conspicuously high rate of progress, while in others, like Sweden, where production in 1947 was already well in excess of pre-war, a more moderate rise took place in 1948. In Belgium and Italy, increases in

Table 80. Industrial Production in Certain Countries of Europe
1947 and 1948

Country	1938 = 100		1947 = 100							
			1947 quarters				1948 quarters			
	1947	1948 [a]	First	Second	Third	Fourth	First	Second	Third	Fourth [a]
Austria [b]	48	74	70	106	111	113	122	156	163	173
Belgium	106	115	95	102	97	108	106	107	107	113
Bulgaria	145	170	81	96	109	114	94	111	129	134
Czechoslovakia [b]	87	102	93	104	95	109	112	119	110	125
Denmark	116	130	97	95	99	106	109	114	108	118
France [c]	95	108	98	106	96	101	115	121	106	112
Germany, UK and US zone [d]	34	51	78	102	107	112	122	127	165	191
Greece	71	77	90	101	101	109	100	101	108	128
Ireland	116	137	91	96	101	112	107	119	114	. .
Italy	81	87	79	108	109	104	98	107	111	114
Netherlands	94	112	89	96	100	114	110	117	120	130
Norway	108	118	99	104	93	105	109	117	96	114
Poland	104	133	91	97	100	113	124	130	125	134
Sweden	138	143	99	100	99	100	102	103	103	105
United Kingdom [e]	108	121	90	101	99	110	112	112	107	117
Total of above countries:										
Including Germany	83	96	90	102	100	108	112	116	114	124
Excluding Germany	100	113	91	102	99	107	111	114	109	117
USSR [b]	93	118	. .	. .	. .	. .	. .	. .	. .	. .

Source: Secretariat of the Economic Commission for Europe, *Economic Survey of Europe in 1948* (Geneva, 1949).

The indices for each country include manufacturing, mining and public utilities but exclude building with the following exceptions: the index for Greece excludes mining; those for Austria, France, Germany and Italy exclude the food industries; the indices for Austria and Sweden exclude chemicals, while those for Belgium, Denmark and Sweden exclude public utilities. The engineering industry is not represented in the Italian index.

For countries in which there have been territorial changes since 1938, production in the post-war territory has been related to 1938 production in the pre-war area.

[a] Provisional.

[b] The base of the annual indices for Austria and Czechoslovakia is 1937; for the USSR, 1940.

[c] Excluding the Saar.

[d] The indices of the United Kingdom and United States zones have been given the weight of the three western zones.

[e] The annual indices (1938 = 100) have been obtained on the basis of 1946 weights. If 1935 weights were used, the index for 1947 would be 115 (1938 = 100) and would raise the European total (including Germany) by two points.

production were apparently restricted by deflationary influences, and in Greece by the civil war. In most countries, improvement was of the order of 10 to 20 per cent; in no country in Europe did production actually decline.

The industrial progress achieved during 1948 can be accounted for only in part by an increase in industrial employment. There were no large reserves of unemployed labour except in Germany, Hungary and Italy. For a group of sixteen countries, excluding Germany, industrial employment in 1947 was already 11 per cent above 1938, while the increase in the following year was under 4 per cent.

On the other hand, industrial output per worker employed in Europe, excluding Germany and the Union of Soviet Socialist Republics, increased by some 5 per cent between 1946 and 1947, but in the following year the increase was 9 per cent. The most important element in the advance recorded during 1948 was the improved flow to industry of materials and fuels, the shortages of which had severely restricted industrial activity during 1947.

The fact that the production of the heavy industries in Europe has been increasing at a higher rate than industrial production in general is indicative of the efforts of European countries to increase the proportion of national income devoted to investment. The rate of capital formation in Europe was about one-quarter higher in 1948 than in 1938, though still relatively low in some countries. The destruction of capital equipment in Europe during the war and the lack of maintenance and replacement meant that by the end of the war a great deal of the remaining productive capacity of Europe was obsolete. In some countries, in fact, much industrial capacity had already become obsolete before the war as a result of deficient replacement during the depression years. In addition, since the war, there has been a strong demand in a number of countries for quickening the pace of industrialization in order to raise standards of living.

Distribution of investment among the various economic sectors, as shown in table 81, indicates a relatively low investment in agriculture and a high level of investment in transport. The low priority accorded to agriculture, except in France and in the United Kingdom, was a reflection of

Table 81. Gross Fixed Capital Investment of Certain Countries of Europe by Major Economic Categories

1948

Country	*Total*	*Agriculture and fishing*	*Industry*	*Transportation*	*Other sectors and government*	*Dwellings*
Millions of dollars in 1938 prices:						
Bulgaria	37	4	8	8	7	10
Czechoslovakia	349	18	73	82	63	113
Denmark	321	30	55	142 [a]	[a]	94
France	1,520	170	590	360	60	340
Hungary	98	9	37	20	24	8
Norway	372	57 [b]	96	150	20	49
Poland	352	36	122	67	59	68
Sweden	777	63	294	158	84	178
United Kingdom	3,850	170	1,150	620	970	940
Percentage of total:						
Bulgaria	100	11	22	22	19	26
Czechoslovakia	100	5	21	24	18	32
Denmark	100	9	17	44 [a]	[a]	30
France	100	11	39	24	4	22
Hungary	100	9	38	20	25	8
Norway	100	16	26	40	5	13
Poland	100	11	34	19	17	19
Sweden	100	8	38	20	11	23
United Kingdom	100	4	30	16	26	24

Source: Secretariat of the Economic Commission for Europe, *Economic Survey of Europe in 1948* (Geneva, 1949).

[a] Transportation plus other sectors and government.

[b] Fishing and whaling account for $10 million, or 4 per cent of the total, in 1948.

the overriding needs of urban and industrial reconstruction after the war. The unusually high investment in transport resulted from the fact that heavier destruction was caused in railways and shipping than in any other sector of the European economy.

Available data on the distribution of investment among the different branches of industry show the high priority given to the production of capital goods. Some two-thirds of total investment in the manufacturing industry was devoted to the iron and steel, engineering, chemicals, building materials and timber industries, while the consumer goods industries accounted for only one-third of the total. In addition, the rate of investment, in the fuel and power industries, particularly in coal mining and electrical power generation, was high in relation to investment in manufacturing.

SHIFTS IN DISTRIBUTION OF INDUSTRY

Changes in the geographical structure of European industry since the war are set out in table 82, which gives the percentage distribution of total industrial output, of iron and steel and textile production and of finished steel and total energy consumption. The data are expressed as percentages of the corresponding European total for 1938.

One of the most striking changes in each case is the fall in the relative share of Germany in the European totals. In iron and steel making, German production fell from 43 to 11 per cent of the 1938 European total; in finished steel consumption, from 42 to 14 per cent; and in textile production, from 28 to 10 per cent.

The increase in the production of iron and steel in other European countries made up for rather more than two-thirds of the fall in German production. The major part of this was accounted for by the United Kingdom and Belgium. In textiles, over one-half of the fall in German output was replaced by other countries. In contrast with metals, the United Kingdom replaced German textile production only to a minor extent; in so far as German output was made good by other European countries, the increase in production

Table 82. Distribution of Industrial Activity in Europe (excluding USSR)
1938, 1947 and 1948
(Pre-war totals = 100)

Country	*Net output of industry*			*Energy consumption*			*Iron and steel making*			*Finished steel consumption*			*Basic textiles*		
	1938	*1947*	*1948*	*1938*	*1947*	*1948*	*1938*	*1947*	*1948*	*1938*	*1947*	*1948*	*1938*	*1947*	*1948*
Total Europe (excluding USSR)	100.0	81.3	93.2	100.0	91.0	97.8	100.0	71.0	90.8	100.0	78.8	96.7	100.0	84.1	90.9
Austria	1.4	0.7	1.0	1.1	1.0	1.3	1.2	0.8	1.3	1.3	0.6	1.1	1.0	0.8	0.9
Belgium-Luxembourg ..	2.9	3.1	3.4	4.2	4.3	4.5	7.2	9.0	12.1	2.2	4.1	4.7	3.0	5.1	4.4
Bulgaria	0.2	0.3	0.4	0.2	0.4	. .	—	0.2	0.2	0.2	0.2	0.1	[a]	[a]	[a]
Czechoslovakia ..	3.1	2.7	3.2	3.4	4.2	4.5	3.4	4.4	5.0	3.2	4.3	5.2	3.5	4.0	4.2
Denmark	1.1	1.3	1.5	0.9	0.8	0.8	—	0.1	0.2	0.9	0.9	0.9	[a]	[a]	[a]
Finland	0.5	0.6	0.7	0.8	0.7	0.7	0.2	0.2	0.3	0.6	0.4	0.1	[a]	[a]	[a]
France	11.2	10.6	12.1	11.7	11.9	12.2	12.1	12.7	16.4	10.3	13.3	16.4	13.5	14.5	15.8
Germany	32.1	11.0	14.6	29.2	15.3	17.2	42.8	6.2	11.2	42.0	7.7	13.8	27.5	7.0	10.3
Hungary	0.9	0.8	0.9	0.7	0.7	0.8	1.1	1.1	1.4	1.1	1.1	1.3	1.2	1.0	1.2
Ireland	0.4	0.5	0.6	0.4	0.4	. .	—	—	—	0.2	0.1	0.2	[a]	[a]	[a]
Italy	6.4	5.2	5.5	3.8	4.0	3.6	4.3	3.1	3.8	5.2	4.1	5.2	8.4	7.5	8.1
Netherlands	2.4	2.2	2.6	2.1	2.3	2.2	0.2	0.4	0.6	2.4	2.4	3.7	2.2	3.6	3.1
Norway	0.8	0.8	0.9	1.3	1.5	1.7	0.1	0.1	0.2	0.5	0.9	0.8	[a]	[a]	[a]
Poland	2.5	2.6	3.3	3.7	5.8	6.2	2.8	3.1	3.5	2.4	3.5	3.7	3.9	3.5	4.5
Romania	0.8	0.6	0.7	0.8	0.7	. .	0.5	0.4	0.5	0.6	. .	. .	[a]	[a]	[a]
Sweden	2.7	3.8	3.9	2.2	2.8	3.0	1.9	2.3	2.3	2.6	4.3	4.3	1.8	2.0	2.0
United Kingdom..	23.7	25.6	28.7	27.7	28.6	30.7	20.7	24.9	29.2	20.7	25.0	29.1	24.1	23.8	25.6
Other European countries	6.9	8.9	9.2	5.8	5.6	. .	1.5	2.0	2.6	3.6	5.9	6.1	9.9	11.3	10.8

Source: Secretariat of the Economic Commission for Europe, *Economic Survey of Europe in 1948* (Geneva, 1949).

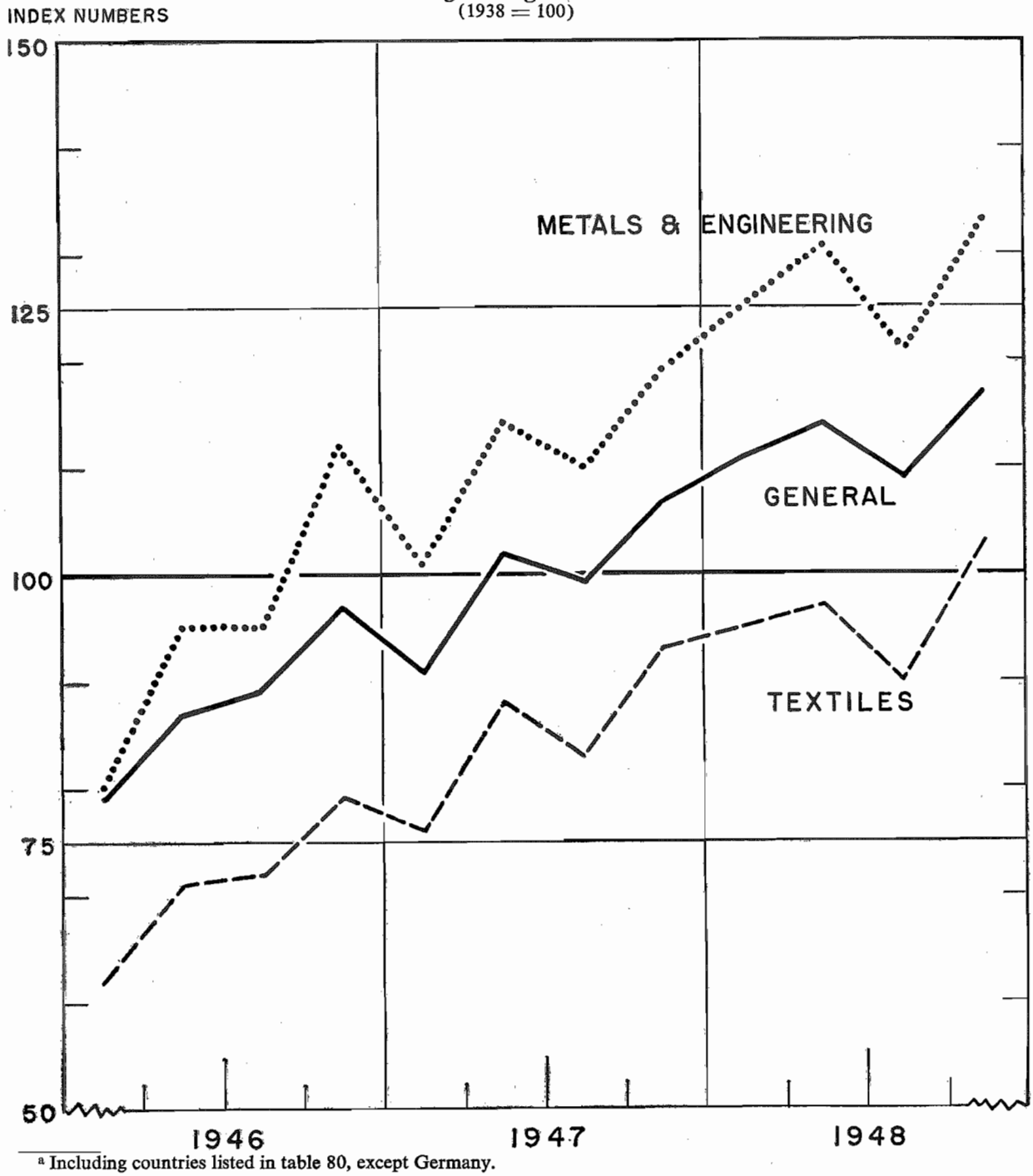
"Energy consumption" includes coal, brown coal and lignite, oil, hydro-electricity and fuel-wood (converted to coal equivalent); "iron and steel making" includes pig-iron, crude steel and finished steel production; "basic textiles" include cotton, wool, rayon yarn production and consumption.

[a] Included in "Other European countries."

was shared fairly evenly by the smaller producers.

Important changes have occurred in the position of Europe in relation to the rest of the world. This is illustrated by a comparison of the changes that have taken place in industrial production in Europe and the United States. Whereas before the war the industrial output of Europe, excluding the Union of Soviet Socialist Republics, was one-third larger than that of the United States, in 1948 it was less than three-quarters of the United States

Chart 14. The Level of Industrial Production in Europe (excluding USSR):[a] General, Metals and Engineering and Textiles
(1938 = 100)



[a] Including countries listed in table 80, except Germany.

output. The European share in the manufacturing production of the world fell from 35 per cent in 1937 to about 22 per cent in 1947 but rose in 1948 to about 25 per cent.

HEAVY INDUSTRY

As shown in chart 14, production in the heavy industries has continued to rise in advance of general industrial production. The most important feature of European industrial progress in 1948 was the increase of steel production by more than one-quarter over the previous year, as shown in table 83. For the whole of Europe, including the Union of Soviet Socialist Republics but excluding Germany, crude steel production in 1948 exceeded the level of 1938 by about one-sixth.

Among the most striking advances in steel production in 1948 over the previous year were the increases of some 80 per cent in Austria and Germany, of 40 per cent in Belgium and Luxembourg, 30 per cent in France, 28 per cent in the Union of Soviet Socialist Republics and 17 per cent in the United Kingdom.

The greater part of the rise in steel production in western Europe occurred in the second half of the year, as a result of greatly enlarged coke exports from the Ruhr. Other factors in the increase were an improvement in pig-iron production, which had previously lagged in relation to steel, and larger supplies of scrap as a result of improved collection, especially in Germany. Iron ore production, on the other hand, has fallen

Table 83. Steel Production and Consumption in Europe (excluding USSR)
1937, 1938, 1947 and 1948
(In millions of tons)

Country	Production of crude steel				Consumption of finished steel [a]		
	1937	1938	1947	1948 [b]	1938	1947	1948 [b]
Total Europe (excluding USSR) [c]	56	51	37	47	46	37	45
Austria	0.7	0.7	0.4	0.7	0.6	0.3	0.5
Belgium and Luxembourg	6.3	3.7	4.6	6.4	1.0	1.9	2.2
Czechoslovakia	2.3	1.8	2.3	2.7	1.5	2.0	2.4
France [d]	7.9	6.2	6.4	8.5	4.8	6.2	7.6
Germany [e]	19.2	21.8	3.2	5.7	19.5	3.6	6.4
Western zones	15.1	17.3	3.1	5.5	. .	3.5	6.2
USSR zone	1.2	1.4	0.1	0.2	. .	0.1	0.2
Hungary	0.7	0.6	0.6	0.7	0.5	0.5	0.6
Italy	2.1	2.3	1.7	2.1	2.4	1.9	2.4
Netherlands	—	—	0.2	0.3	1.1	1.1	1.7
Poland [f]	1.4	1.4	1.6	1.9	1.1	1.6	1.7
Spain [g]	0.2	0.6	0.5	0.5	0.6	0.6	0.5
Sweden	1.1	1.0	1.2	1.2	1.2	2.0	2.0
United Kingdom	13.2	10.6	12.9	15.1	9.6	11.6	13.5
Other European countries [c]	0.5	0.7	1.1	1.2	2.5	3.3	3.3
USSR	17.7	18.0	13.0 [c]	16.7 [c]	. .	. .	. .

Source: Secretariat of the Economic Commission for Europe, *Economic Survey of Europe in 1948* (Geneva, 1949).

[a] Apparent consumption: *i. e.*, production of crude steel plus net imports of crude steel and net imports of finished steel in crude steel equivalents with no allowance for changes in stocks.

[b] Provisional, based on figures for less than the full year in most instances.

[c] Estimates.

[d] Including production and consumption of the Saar for post-war years, production of which amounted to 0.7 and 1.2 million tons for 1947 and 1948, respectively. Consumption of the Saar amounted to 0.1 million tons for both 1947 and 1948.

[e] Post-war figures for the British zone up to July 1947 relate to firms employing 25 or more persons. From August 1947, production of all firms employing 10 or more persons has been included. Post-war figures for the United States zone included direct iron and steel castings and, beginning September 1946, include output for use in integrated plants previously not fully reported.

Total production of crude steel in 1937 and 1938 and consumption of finished steel in 1938 relate to the pre-war boundaries of Germany. Crude steel production of the Saar, estimated to have been 2.4 and 2.6 million tons in 1937 and 1938, respectively, and that of the ceded territories has been excluded from the totals for the post-war years.

Crude steel production of the individual zones has been estimated for the pre-war years and for certain of the post-war years. Finished steel consumption has been estimated for the post-war years for the whole of Germany and for certain of the individual zones.

[f] The figures for 1937 and 1938 relate to the pre-war boundaries of Poland. Production of crude steel in the post-war area was estimated to have been 1.9 and 2.0 million tons in 1937 and 1938, respectively.

[g] Steel ingots only.

behind pig-iron production, owing largely to delays in the mechanization of the Lorraine mines.

The consumption of finished steel in 1948 was, aside from Germany, two-fifths above pre-war levels. The largest increases in demand occurred in the production of agricultural and industrial machinery, in shipbuilding and in commercial vehicle production. Although certain kinds of finished steel continued to be scarce, it appeared that the general shortage might be overcome sooner than had been expected.

Excluding Germany, production in the metals and engineering industries of the countries listed in table 84 increased by 15 per cent between 1947 and 1948, reaching a level 28 per cent above that of 1938. Belgium, Ireland and Poland achieved levels more than 50 per cent over pre-war, while Germany and Italy remained below the 1938 level. Production in the chemical industries of the countries for which data are available (excluding Germany) increased 19 per cent from 1947 to 1948 and was 35 per cent above pre-war in the latter year. Poland recorded a level of production 117 per cent above 1938, and Belgium and the United Kingdom showed increases of about 50 per cent above pre-war, while production in the chemical industries of Germany, Ireland, Italy and Norway was below that of 1938.

In general it may be said that European production (including Germany) in the metals and engineering industries and in the chemical industries was by the end of 1948 fast approaching pre-war levels and was running well ahead of other industries.

CONSUMER GOODS INDUSTRIES

In the consumer goods industries, adequate data are available only for textiles. During 1948, textile production in Europe expanded more rapidly than general industrial production. This advance in textile output compensated, to a small extent, for the lack of progress in previous years. Production in western Germany almost doubled, but was still at less than half the pre-war level. Outside Germany, despite the rise during the year, production continued at below pre-war rates

Table 84. Production in Selected Industrial Categories of Certain Countries of Europe
1947 and 1948
(1938 = 100)

Countries	*Metals and engineering industries*		*Chemical industry*		*Textile industry*	
	1947	*1948* [a]	*1947*	*1948* [a]	*1947*	*1948* [a]
Austria [b]	. .	. .	. .	. .	36	57
Belgium	128 [c]	158 [c]	130 [d]	151 [d]	139	122
Bulgaria	91	. .	138	. .	121	. .
Czechoslovakia [b]	97	116	102	125	60	77
Denmark	115	127	107	118	108	129
France [e]	98	112	110	128	89	103
Germany, UK and US zones [f]	19	36	30	46	25	47
Ireland	104	167	84	88	134	146
Italy	77	77	82	93	77	75
Netherlands	93	122	82	104	87	103
Norway	131	139	98	96	108	123
Poland	148	181	147	217	97	128
Sweden	130	135	. .	. .	127 [g]	136 [g]
United Kingdom	122	139	127	146	79	94
Total of above countries:						
Excluding Germany	111	128	113	135	85	97
Including Germany	75	91	81	99	72	86

Source: Secretariat of the Economic Commission for Europe, *Economic Survey of Europe in 1948* (Geneva, 1949).

[a] Provisional, based on figures for less than the full year.
[b] Austria and Czechoslovakia, 1937 = 100.
[c] Including allowance for production in Luxembourg.
[d] 1936-38 = 100.
[e] Excluding the Saar.
[f] The indices for the UK and US zones have been given the weight of the three western zones.
[g] Including ready-made clothing.

owing to the low output of a few major producing countries, such as Czechoslovakia, Italy and the United Kingdom. The largest advances, compared with pre-war, have been made by Denmark, Ireland, Poland and Sweden. In Belgium and Italy production fell as a result of the deflationary tendencies which developed in the course of the year. These are the first known instances, since the war, of a fall in production in a major industry caused by declining demand.

Decreases in cotton manufacturing capacity, as compared with pre-war, have taken place in many of the European countries which had previously been important cotton textile producers. Moreover, foreign exchange difficulties have to some extent restricted raw cotton purchases, particularly from the United States, which produces over one-half the world's cotton. The deficiency in cotton fabric production was to some extent made up by a much higher output of rayon goods in almost all the countries of Europe. Nevertheless it seemed unlikely that those countries of western Europe which produce largely for export would regain their pre-war production position, particularly in view of important developments towards self-sufficiency in under-developed countries. In eastern Europe, on the other hand, national economic plans provided for increases in textile manufacturing capacity and in output.

Europe has regained rather more of its pre-war position in the production of woollens, largely as a result of the fact that wool has continued to be shipped predominantly from sterling areas. Thus wool yarn production in 1948 in Europe, excluding the Union of Soviet Socialist Republics, was 94 per cent of the 1938 level; if Germany is excluded, the rest of Europe actually produced 12 per cent more woollen yarn in 1948 than in 1938. Here again, however, the growth of capacity in under-developed areas indicated a possible long-term trend against Europe's leading position as a wool market and as a source of manufactured goods.

Supplies of textiles improved appreciably during 1948, but high prices were beginning to meet with consumer resistance both at home and abroad. The United Kingdom ended the rationing of a large range of textile manufactures in order that accumulating stocks which failed to find export markets might be absorbed at home. Similar developments elsewhere in western Europe indicated that effective demand was beginning to appear as a possible limiting factor in production; future production prospects depended upon improving efficiency enough to make possible substantially lower prices to the consumer. In eastern Europe, production seemed likely to expand so as to raise current low levels of consumption.

FUEL AND POWER

The most important single factor in the increase in European industrial production in 1948, and particularly in steel production, was the relaxation of the general fuel shortage.

Coal

The far-reaching change in the European coal situation was the result of a comparatively moderate increase in coal production and an even more modest increase in coal consumption. As is shown in table 85, the production of hard coal in Europe increased by only 42 million tons, or 9 per cent over 1947, while coal consumption, as a result of the fall in imports from the United States, increased by only 6 per cent. Owing to improvements in coal utilization as well as more favourable weather conditions in 1948, coal requirements in that year were on the whole met, despite increased industrial needs. In the previous year, Europe's fuel consumption had been high in relation to industrial output, especially in the western zones of Germany, but by 1948 the pre-war relationship between industrial production and fuel consumption had been restored.

With the exception of Italy, where 1948 production was slightly lower than the previous year, and Spain and Sweden, where 1947 and 1948 production levels were approximately the same, all European countries for which data are available increased their production of coal to some extent during 1948 as compared with the previous year. The rise was greatest in the western zones of Germany which, however, in 1948 were still producing less than two-thirds of the pre-war output. A more impressive increase was registered in Poland, which raised its output in 1948 by over one-sixth compared with the previous year and was producing at about double its pre-war rate. In general, European coal production rose to a rate some 70 to 80 million tons under pre-war,

Table 85. Coal Production and Consumption in Europe
1937, 1938, 1947 and 1948

(In millions of tons)

Country	Production of coal				Consumption of coal and coke [a]			
	1937	1938	1947	1948 [b]	1937	1938	1947	1948 [b]
Total Europe (excluding USSR) [c]	580.4	574.9	460.1	502.5	570.6	565.4	480.5	511.1
Belgium-Luxembourg	29.9	29.6	24.4	26.7	33.6	30.1	29.9	30.9
Czechoslovakia	16.8	15.8	16.3	17.8	16.5	16.2	16.8	18.2
France [d]	44.3	46.5	55.7	56.0	71.9	66.5	68.4	68.4
Germany [e]	186.0	187.8	75.2	91.2	143.6	156.3	70.4	80.0
Western zones	139.1	135.8	72.5	88.4	. .	. .	65.7	74.4
USSR zone	3.9	6.2	2.7	2.8	. .	. .	4.7	5.6
Italy	1.0	1.5	1.2	1.1	13.8	13.6	10.3	8.9
Netherlands	14.3	13.5	10.1	11.0	13.8	13.2	13.3	13.7
Poland [f]	36.2	38.1	59.1	70.3	24.7	26.3	40.3	44.7
Spain	2.1	5.7	10.5	10.5	6.0	6.5	10.6	10.8
Sweden [g]	0.3	0.3	0.3	0.3	9.2	8.0	5.5	7.1
United Kingdom [h]	244.3	230.6	200.6	210.8	200.2	191.9	191.6	200.1
Other European countries [c]	5.2	5.5	6.7	7.0	37.3	36.8	23.4	28.2
USSR [i]	122.6	132.9	178.7	203.8	. .	. .	. .	. .

Source: Secretariat of the Economic Commission for Europe, *Economic Survey of Europe in 1948* (Geneva, 1949).

Production data refer to net pithead production of hard coal (clean coal raised to the surface). Petroleum coke is not included in the consumption of coke.

[a] Apparent consumption (including bunkers; *i.e.* production of coal, plus net imports of coal and coke ton for ton) with no allowance for changes in stocks.

[b] Provisional.

[c] Post-war production has been estimated.

[d] Including production and consumption of coal and coke in the Saar for post-war years. Production in the Saar amounted to 10.5 and 12.6 million tons for 1947 and 1948, respectively.

[e] The figures for 1937 and 1938 relate to the pre-war boundaries of Germany and include data for the Saar, production of which amounted to 13.4 and 14.5 million tons in 1937 and 1938, respectively. Production and consumption of the individual zones have been estimated for certain years.

[f] The figures for 1937 and 1938 relate to the pre-war boundaries of Poland. Production in the post-war area was estimated to have been 66.0 and 69.4 millions for 1937 and 1938 respectively.

[g] Production data refer to hard coal equivalent of poor-quality brown coal.

[h] Actual consumption (including bunkers). In 1947 stocks increased by 7.9 millions. In 1948 one million tons were drawn from stocks.

[i] Brown coal, amounting to about 13 per cent of total production, is included in the pre-war figures. It is supposed that brown coal is included in the post-war figures where it would probably represent a higher proportion of the total production than it did for the pre-war years.

but this decrease was entirely attributable to the fall in German and United Kingdom production, partly offset by increases in France and Poland. In the Union of Soviet Socialist Republics, coal production continued to increase rapidly during 1948 and reached a level nearly a quarter higher than that of 1940 and more than one-half over 1938.

Almost all European countries increased their apparent consumption of coal and coke to a moderate extent during 1948, as compared with the previous year, but this marginal increase sufficed to permit substantial advances in industrial production. The only exception was Italy, whose consumption of coal declined by about one-seventh in 1948, but this decline does not appear to have had any adverse effect upon rising industrial production in general, nor upon steel production. The decrease in European consumption since before the war was attributable almost entirely to Germany, whose consumption of coal in 1948 was just over one-half of that of 1938.

Serious shortages of coal and coke during 1947 had made it necessary for Europe to import coal to the value of some $400 million from overseas, particularly the United States, whereas before the war it was a net exporter on a modest scale. The improved production situation in 1948, together with the resumption of coal exports by such countries as Poland and the United Kingdom, resulted in a reduction of the volume of coal imports by one-half in 1948 compared with the preceding year. Supplies did not, however, reach the point at which oversea exports could be resumed on anything like the pre-war scale. Although oversea exports of coal in 1948 were higher than in the previous year, they were less than one-sixth of their pre-war level, and for the time Europe

Table 86. Crude Oil Production and Consumption in Europe (excluding USSR)
1938, 1947 and 1948
(In millions of tons)

Country	Production of crude petroleum			Consumption of mineral oil [a]		
	1938	1947	1948 [b]	1938	1947	1948 [b]
Total Europe (excluding USSR) [c]	8.20	6.05	6.95	38.10	44.00	49.80
Austria	0.06	0.35 [c]	0.32	0.43 [de]	0.41 [e]	0.38
Belgium-Luxembourg	—	—	—	0.92	1.42	1.66
Czechoslovakia	0.02	0.03 [c]	0.03	0.41	0.36	0.40
Denmark	—	—	—	0.96	1.29	1.37
France	0.07	0.05	0.05	8.44	6.85	7.61
Germany [f]	0.55	. .	. .	5.92	. .	. .
Western zones	0.55	0.58	0.63	. .	1.61	1.73
Hungary	0.04	0.57	0.48	0.28	0.49	. .
Italy	0.01	0.01	0.01	2.61	3.72	2.65
Netherlands	—	0.21	0.49	1.64	2.52	2.02
Norway	—	—	—	0.66	1.10	1.37
Poland [g]	0.51	0.13	0.13	0.51	0.37	. .
Portugal	—	—	—	0.22	0.63	0.66
Romania	6.61	3.82	4.50	1.66	1.32 [e]	. .
Spain	—	—	—	0.60	1.05	0.97
Sweden	—	—	—	1.45	3.43	3.03
United Kingdom [h]	0.13	0.12	0.13	9.87 [e]	14.57 [e]	19.37
Other European countries [c]	0.20	0.18	0.20	1.53	1.30	2.15

Source: Secretariat of the Economic Commission for Europe, *Economic Survey of Europe in 1948* (Geneva, 1949).

The data refer to the main products of the distillation of crude oil, among the most important of which are motor spirit, fuel and gas oils, Diesel oil and lubricating oils. Greases, coal tar and other bituminous products have been excluded.

[a] Apparent consumption, in terms of crude oil *i.e.* production of crude oil, plus net imports of crude oil and products, with no allowance for changes in stocks.

[b] Provisional.

[c] Estimate.

[d] 1937.

[e] Releases for consumption.

[f] The figures for 1938 refer to pre-war boundaries of Germany.

[g] The figures for 1938 refer to the pre-war boundaries of Poland. Production in the post-war area is estimated to have been 0.11 million tons.

[h] Mainly shale oil.

continued to be a net importer of both coal and coke. Intra-European trade in coal and coke jumped sharply, by over 70 per cent, in 1948 as compared with the previous year, but was still considerably below pre-war.

Petroleum

The production of crude petroleum in Europe, aside from the Union of Soviet Socialist Republics, did not, even before the war, exceed one-quarter of European requirements. Thus the somewhat lower post-war production in Europe compared with pre-war was not of major significance for the European economy. The only important producer, Romania, increased production substantially in 1948, but had not yet reached more than two-thirds of pre-war output. Large increases in crude petroleum production took place in Austria and Hungary as compared with pre-war, but these increases were of minor importance for European countries in general.

Consumption, on the other hand, was nearly one-third higher in 1948 than before the war, as indicated in table 86. Particularly large increases in consumption occurred in Belgium and Luxembourg, Denmark, Hungary, Norway, Portugal, Spain, Sweden and the United Kingdom, where oil tended to replace coal for some purposes. Other European countries, particularly France and Germany, were consuming less oil than before the war, and in Italy consumption of oil, as of coal, declined in 1948 as compared with the previous year. In spite of the larger supplies of petroleum compared with pre-war, many European countries continued to ration motor fuel at low levels, in order to conserve oil for industrial uses and thus to diminish the need for additional imports.

Electric power

Table 87 shows that production of electric power in Europe grew rapidly in the post-war years. In 1948 Europe, outside the Union of Soviet Socialist Republics, generated 220 thousand mil-

Table 87. Electric Power Production in Europe
1937, 1938, 1947 and 1948
(In thousand millions of kilowatt-hours)

Country	1937	1938	1947	1948 [a]
Total Europe (excluding USSR) [b]	160	170	200	220
Austria	2.9	3.0	4.2	4.8
Belgium	5.5	5.3	7.2	7.9
Czechoslovakia	4.1	4.1	6.7	7.7
Denmark	1.1	1.1	1.6	1.8
Finland	2.8	3.1	2.8	2.8
France [c]	18.2	18.8	25.5	28.0 [d]
Germany [e]	49.0	55.3	32.4	37.1
Western zones	28.2	31.8	18.1 [f]	21.4 [f]
USSR zone	14.7	16.6	13.3	14.7
Italy	15.2	15.4	19.3	22.5
Netherlands	3.3	3.5	4.5	4.9
Norway	9.3	9.9	11.3	12.4
Poland [g]	3.6	4.0	6.6	7.4
Spain	2.5	2.7	5.6	5.3
Sweden	8.0	8.2	13.5	14.2
Switzerland	6.8	7.0	9.8	10.3
United Kingdom [h]	22.9	24.4	42.6	46.5
Other European countries [b]	4.3	4.6	6.0	6.8
USSR	36	48	54	63

Source: Secretariat of the Economic Commission for Europe, *Economic Survey of Europe in 1948* (Geneva, 1949).

[a] Provisional.

[b] Estimate.

[c] Grid production only. The production of the Saar has been included for post-war years, amounting to 0.4 thousand million kilowatt-hours in 1947 and 0.5 thousand million kilowatt-hours in 1948.

[d] Public utilities only.

[e] Total production for 1937 and 1938 (public utilities only) relates to the pre-war boundaries of Germany. Total production for all years includes the production of Berlin. The figures for the post-war years, which exclude production of the Saar and the ceded territories, have been estimated, as have those of the individual zones in certain years.

[f] The production of the United Kingdom and United States zones includes grid production only; that of the French zone includes public utilities only.

[g] The figures for 1937 and 1938 show production within the pre-war boundaries of Poland. Production in the post-war area was estimated to have been 7 to 7.9 thousand millions of kilowatt-hours for 1937 and 1938, respectively.

[h] Authorized undertakings only; excluding Northern Ireland.

lion kilowatt-hours, compared with 170 thousand million in 1938; the 1948 increase was about 10 per cent over the previous year. Particularly large increases in capacity took place in Czechoslovakia, France, Italy, Poland, Spain, Sweden and the United Kingdom, and most countries, except Germany, made important progress compared with pre-war. Production in the Union of Soviet Socialist Republics was over one-quarter higher in 1948 than in 1938. Excluding Germany and the Union of Soviet Socialist Republics, production in 1948 was nearly three-fifths above pre-war. Nevertheless, the supply of electric power in Europe was considered inadequate to meet general requirements and some countries had to ration its use at periods of peak load. Many countries, in consequence, provided for further substantial increases in generating capacity in the near future.

Consumption

In general, it is estimated that the total energy consumption of Europe—coal, oil and electricity—was about 7 per cent higher in 1948 than in the previous year and, for the whole of Europe except Germany and the Union of Soviet Socialist Republics, some 14 per cent above pre-war. The increase of total energy consumption in 1948 compared with pre-war was closely parallel to the 13 per cent higher industrial production of Europe, with the exception of Germany and the Union of Soviet Socialist Republics.

RAW MATERIALS

One of the outstanding features of the early post-war years in Europe was the fact that production and consumption of certain key raw materials lagged behind the advance in over-all industrial production. In general, the supply of most raw materials improved sufficiently during 1948 to make possible the substantial increase in industrial production which has already been noted, and most of the raw material shortages had virtually disappeared.

Metals

The relatively high level of production achieved by heavy industries in 1948 is noteworthy in the light of the lag which still continued to some extent in that year in the production and consumption of some of the major metals.

Even with Germany excluded, production and consumption of certain metals have been somewhat less than might have been expected in the light of European recovery in general. It has already been noted that the production of iron ore has tended to lag behind that of pig-iron, while the recovery of pig-iron production itself has been slower than that of crude steel. Thus, for example, the production of crude steel in all countries of

Europe, with the exception of Germany and the Union of Soviet Socialist Republics, was about 35 per cent higher in 1948 than in 1938. On the other hand, iron ore production for the same countries was 20 per cent lower in 1948 than before the war, while pig-iron and ferro-alloy production was less than one-third higher.

This situation was much improved by the end of 1948. Production of both iron ore and pig-iron made important advances during the year. In particular, German pig-iron production was twice as high in 1948 as in the previous year, and Swedish iron ore production was over 43 per cent above 1947. Supplies of metallurgical coke were also relatively plentiful by the end of 1948. It appeared probable that if the demand for European scrap were to diminish with a levelling off in steel production in the United States, no further raw material obstacles would remain to a continued expansion of the European output of steel.

Copper production in Europe, except in Germany and the Union of Soviet Socialist Republics, was about one-fifth higher in 1948 than before the war, but consumption had increased to a much smaller extent. Zinc production and consumption were down by large percentages. Particularly serious was the lowered consumption of lead, to less than three-quarters of the pre-war level. The consumption of tin was also appreciably under pre-war.

Consumption of all these major metals has lagged behind industrial production as a result of a lower level of imports than before the war. Aluminium was the only important non-ferrous metal in which the post-war supply was much above that of pre-war; European consumption, outside Germany and the Union of Soviet Socialist Republics, was about three times as high in 1948 as before the war.

In view of the serious shortage of ores and metals, considerable emphasis has been placed on the development of the resources of colonial territories, and programmes for this purpose have been initiated. There has been a tendency for supplies of non-ferrous ores and metals to be exported, to some extent, from colonial possessions to the United States, which in the post-war period has become a net importer on a large scale, even of metals in which it was self-sufficient before the war. At the same time, as a result of ore and metal shortages, large unutilized processing capacity exists in such countries as Belgium, France, Italy, the Netherlands and the United Kingdom, in addition, of course, to Germany.

Many countries have taken special measures to deal with metal shortages, particularly by improving methods of scrap collection and utilization. Technological advances, and substitutions, where possible, of the less for the more scarce metals, have further helped to ease the position. Thus, aluminium has been substituted for other scarce raw materials, particularly timber and steel.

Some improvement in European supplies is to be expected, not merely from increased production in colonial territories, but also in some countries of eastern Europe now developing their resources. In the United States, moreover, there were important signs during the first quarter of 1949 that the peak demand for non-ferrous metals had passed, and prices fell substantially. The possibility existed that if a levelling off in United States requirements were to result in any diminution of that country's net imports, the supply situation for Europe would be correspondingly eased and a more normal relationship between non-ferrous metal consumption and industrial production in general could be restored. On the other hand, it was not yet clear how far measures adopted in recent years to deal with non-ferrous shortages had permanently lowered the volume of non-ferrous consumption required to sustain a given level of industrial production.

Timber

The shortage of timber continued in 1948 to be the most important limiting factor in construction. Production of sawn soft wood was hampered in the early post-war years by the increased proportion of total wood output consumed as fuel, but improved supplies of other forms of fuel during 1948 enabled many countries to diminish their consumption of fuel wood. Nevertheless, European [1] production of sawn soft wood increased only 3 per cent in 1948 over the previous year, and was still little more than two-thirds of the pre-war level. Finland, the western zones of Germany and Poland, although still producing less than pre-war, increased their output by substan-

[1] Excluding the Union of Soviet Socialist Republics.

tial percentages over the 1947 level, but these increases barely sufficed to offset declines in Czechoslovakia, France, Italy and Sweden. Only the Soviet Union had restored its pre-war output of timber; 1948 production was 7 per cent higher than 1940. Production was impeded in Austria, Czechoslovakia, Finland, Poland and Yugoslavia by shortages of equipment.

European consumption of sawn soft wood was likewise less than two-thirds of pre-war in 1948, though 6 per cent higher than in the previous year. Substantial increases in supplies from major European soft wood exporting nations were offset by still larger reductions in imports from Canada and the United States. Thus total European timber imports were still lower in 1948 than in 1947 and only three-fifths of pre-war imports. The western zones of Germany, Sweden and Finland continued, as in the pre-war period, to be the main European sources of supply, but the Union of Soviet Socialist Republics, despite higher than pre-war production, was not able to resume timber exports on its pre-war scale as a result of the overriding needs of internal reconstruction. It was considered possible, however, that the Union of Soviet Socialist Republics might soon be able to re-enter the export market on a substantial scale.

As a result of severe timber shortages, considerable progress was made in many European countries in substituting aluminium, cement and structural steel for lumber in building. Some progress was also made in economizing in the use of lumber. By the end of 1948, an equilibrium appeared to have been achieved between demand and supply in Europe, and the Timber Committee of the Economic Commission for Europe decided, for the time being, to set no buying limits for timber imports. At the same time, forward estimates revealed a rising tendency in import requirements which were not offset by a corresponding anticipated increase in supplies from European exporting countries.

Rubber

No serious difficulty was experienced by European countries in meeting their requirements for rubber during 1948. Consumption levels were already back to pre-war by 1947, and a further increase of approximately one-third was recorded during 1948. Particularly large increases in consumption were registered in Czechoslovakia, France, the Netherlands, Sweden and the United Kingdom. With supplies of natural rubber well above pre-war, European synthetic rubber consumption has declined since 1946 to negligible quantities, and the United States remains the only important producer and consumer of synthetic rubber.

Clothing fibres

On the whole, supplies of clothing fibres in 1948 were adequate to meet demand, though at the expense of some lowering of stocks, particularly in wool. In some countries, shortage of labour was more important than supplies of raw materials as a bottle-neck factor in the textile industry.

In 1948, European raw cotton production, excluding Turkey and the Union of Soviet Socialist Republics, increased 17 per cent over the previous year, to about the level of pre-war output, but European production was, as in the pre-war period, of relatively minor importance for the textile industry. Thus Europe continued to be mainly dependent for its supplies upon imports from overseas. European cotton imports in 1948 were little more than two-thirds of their 1938 level, and European cotton consumption was correspondingly lower. The United Kingdom and France, where consumption was, respectively, 24 per cent and 15 per cent below pre-war, were the countries primarily affected by this situation, although Germany and the Netherlands also consumed less than they did before the war. In Czechoslovakia, Italy and Poland, on the other hand, consumption surpassed that of pre-war by 25 to 38 per cent. Although Belgian consumption declined by more than one-tenth from the 1947 level, it was still 17 per cent above pre-war.

The deficiency in cotton consumption was made good by increased use of rayon. European production of rayon staple fibre was double that of pre-war; particularly large increases occurred in France and the United Kingdom, which also consumed much less cotton than before the war.

European raw wool production, excluding the Union of Soviet Socialist Republics, was substantially below the pre-war level in 1947 and in 1948 although there was some progress in the latter year. Thus the quantity of raw wool becoming

available in intra-European trade in 1948 was only one-half of the corresponding quantity in 1938. Imports of wool from overseas in 1947 and 1948 were about 6 per cent and 12 per cent, respectively, below the 1939 level. The fact that European consumption of raw wool was rather better maintained in relation to pre-war than that of raw cotton was largely due to the circumstance that wool was predominantly a sterling area commodity. In the Union of Soviet Socialist Republics, wool production in 1948 was substantially above pre-war, and the Union of Soviet Socialist Republics also entered the post-war wool market as an important buyer. High levels of wool consumption in Europe and the United States have made substantial inroads into the large post-war stocks, and some further drawing on stocks is likely to take place before equilibrium between consumption and current production is reached.

Future supplies of clothing fibres are likely to be sufficient to meet demand, particularly since there is evidence of increasing difficulty in disposing of textile goods in the export market, on which many of the major European fibre consumers continue to be dependent in maintaining the volume of their output.

Summary

Tables 88 and 89 summarize the levels of production and—where available—consumption achieved in some of the most important branches of the economy of Europe and of the Union of Soviet Socialist Republics.

Table 88. Selected Production Indices for Europe (excluding USSR)
1947 and 1948

Item	Including Germany			Excluding Germany		
	1947	1948	1948 (Percentage of 1947)	1947	1948	1948 (Percentage of 1947)
	(Percentage of 1938)			(Percentage of 1938)		
Industrial production	83	96	116	100	113	113
Metals and engineering	75	91	122	111	128	115
Chemicals	81	99	123	113	135	119
Textiles	72	86	119	85	97	113
Building materials	68	86	126	81	95	117
Agricultural production	76	85	112	80	90	113
Railway transport (goods loaded)	. .	. .	. .	102	115	113
Coal: Production	80	87	109	97	103	106
Consumption	85	90	106	99	104	106
Oil consumption	115	131	113	127	144	114
Electric energy production	118	129	110	146	159	109
Total energy consumption [a]	91	98	108	106	114	107
Iron ore production	63	78	124	66	80	121
Pig iron production	64	87	137	102	131	128
Crude steel production	71	91	128	111	135	122
Finished steel consumption	79	97	122	122	142	116
Merchant ships (tons launched)	77	87	113	97	109	113
Motor vehicles: Passenger cars	52	68	132	65	84	128
Commercial vehicles	132	162	123	154	182	118
Cotton yarn production	73	84	116	76	85	113
Wool yarn production	85	94	111	103	112	109
Rayon filament yarn production	98	114	117	129	141	109
Rubber consumption	101	133	132	130	159	122
Sawn soft wood: Production	66	68	102	68	70	102
Consumption	57	61	106	60	65	108
Cement production	70	86	123	95	110	116

Source: Secretariat of the Economic Commission for Europe, *Economic Survey of Europe in 1948* (Geneva, 1949).

[a] Including consumption of coal, brown coal, oil, hydro-electric energy and fuel-wood (converted to coal equivalent).

Table 89. Selected Production Indices for Union of Soviet Socialist Republics
1947 and 1948 (1940 = 100)

Item	1947	1948	Item	1947	1948
Gross industrial production	93	118	Machinery and instruments [a]	108	154
Coal and brown coal (ton for ton)	108	123	Cotton fabrics	65	81
Oil	83	94	Felled timber	. .	107
Electricity	112	130	Cement	83	114
Pig iron	79	96	Building materials	. .	130
Crude steel	75	96	Artificial fertilizers	62	88
Rolled-steel products	80	102	Leather shoes (number)	64	78
Motor vehicles (number)	107	161			

Source: Secretariat of the Economic Commission for Europe, *Economic Survey of Europe in 1948* (Geneva, 1949).

[a] Excluding transportation equipment, electrical machinery and machine tools.

Transport

According to estimates for a number of European countries, an average of over 23 per cent of total gross investment was allocated to transport in 1947 and a slightly smaller amount in 1948. This investment in transport was nearly as large as gross investment in manufacturing; net investment in transport in the countries for which data are available was larger than net investment in manufacturing. In normal circumstances, investment in the transport sector of the European economy is much smaller than in the industrial sector.[1] The unusually high degree of concentration on the transport sector of the European economy was made necessary by the heavy destruction resulting from the war and the lack of adequate maintenance and repair during the war years.

In 1948 good progress was made in the restoration of fixed installations, including bridges, though in many instances, particularly in the case of roads, temporary repairs have not yet been replaced by permanent construction. In respect of mobile equipment, the repair position was substantially better, owing to improved supplies of raw materials; this resulted in a return to service of an appreciable quantity of rolling stock, road vehicles and floating craft, including tugs. In addition, there were significant increases in the amount of new equipment placed in service.

The volume of goods carried on European railways outside Germany and the Union of Soviet Socialist Republics had already reached its pre-war level by 1947; in 1948 there was a further rise of 13 per cent, about the same percentage increase as in industrial and agricultural production in the same period. Throughout 1947 and 1948, the volume of goods carried on railways maintained its pre-war relationship to industrial production. However, the volume of freight traffic, measured in ton-kilometres, has expanded at a more rapid rate, with the result that in 1948 the average length of haul was 28 per cent above 1938, as can be seen in table 90. Because the average load per waggon was considerably larger than in 1938, the railways have been able to move the increased traffic despite the fact that a very much smaller number of waggons were available for use than before the war. During 1948 there was no noticeable change in the average length of haul or in the average load per waggon, although both were expected to decrease with the gradual return to more normal conditions. The equipment of Europe's railways improved considerably during the year, and the time required for the turn-round of waggons in most countries, notably in Germany, was greatly reduced as a result of improved operating methods and the reconstruction of marshalling yards. At the same time, the number of waggons and locomotives awaiting repair fell appreciably and the number available for use increased correspondingly, although, owing to extensive scrapping, there was no increase in total numbers.

With further increases in the number of lorries available, the volume of road transport also increased considerably in 1948. Recent agreements, within the framework of the Economic Commission for Europe, on the lifting of restrictions on freedom of the road have been accompanied by an increased movement of goods in international traffic. There has also been considerable progress in the development of air transport facilities.

Inland water transport has recovered substan-

[1] In the United States, expenditure on new plant and equipment for transport was, in 1947, equal to only one-sixth of the investment in industry.

Table 90. Railway Freight Transport in Certain Countries in Europe
1938, 1947 and 1948

Country	Goods carried			Goods traffic			Average length of haul	
	1938 (In thousands of tons)	1947 (Percentage of 1938)	1948 [a] (Percentage of 1938)	1938 (In millions of ton-kilometres)	1947 (Percentage of 1938)	1948 [a] (Percentage of 1938)	1947 (Percentage of 1938)	1948 [a] (Percentage of 1938)
Austria	. .	. .	. .	3,888	113	160	. .	. .
Belgium	63,000	95	104	5,148	114	121	120	116
Bulgaria	5,500	154	179	. .	. .	. .	. .	. .
Czechoslovakia [b]	73,764	88	102	10,620	107	120	122	118
Denmark	5,100	173	154	. .	. .	. .	. .	. .
Finland	13,320	114	116	. .	. .	. .	. .	. .
France [d]	132,288	106	126	26,520	140	155	132	123
Germany, French zone [d]	. .	. .	. .	8,556 [c]	41	57	. .	. .
Greece	1,599	31 [c]	31	210	28 [c]	28	90	90
Hungary	20,088	82	108	2,616	98	129	120	119
Ireland	. .	. .	. .	383	144	141	. .	. .
Italy	46,572	76	80	11,137	108 [c]	. .	142	. .
Luxembourg	7,312	164 [c]	. .	404	84	139	51	. .
Netherlands	14,587	111	128	2,040	114	157	103	123
Norway [e]	4,166	128	128	780	139	158	109	123
Poland	. .	. .	. .	22,368	103	123	. .	. .
Portugal	3,888	132	135	. .	. .	. .	. .	. .
Spain [f]	26,496	107	85	. .	. .	. .	. .	. .
Sweden [g]	41,204	107	113	5,020	163	174	152	154
Switzerland	13,872	131	139	1,538	115	. .	88	. .
Turkey	3,226	269	309	965	290	255	108	83
United Kingdom [h]	258,400	100	106	26,160	126	134	126	126
Total of above countries [i]	734,382	102	115	128,353	117	131	. .	. .
Total of countries for which both goods carried and ton-kilometres are known	680,078	100	113	93,158	127	145	127	128

Source: Secretariat of the Economic Commission for Europe, *Economic Survey of Europe in 1948* (Geneva, 1949).

Unless otherwise specified, the data refer to main lines traffic. The figures for Belgium, Czechoslovakia, Denmark, France, Norway and Switzerland include data for State railways only.

For those countries in which there have been territorial changes since 1938, freight transport in the post-war territory has been related to 1938 freight transport in the pre-war area.

[a] Provisional.

[b] Quantities and index numbers refer to 1937.

[c] Estimate.

[d] Excluding the Saar.

[e] Excluding the transport of Swedish minerals across northern Norway.

[f] Tonnage and index numbers refer to 1942.

[g] All traffic is included. Ton-kilometres are estimates based on data for State railways only.

[h] Excluding Northern Ireland.

[i] The totals in each section of the table do not always refer to the same countries but include only those countries for which data are shown.

tially. The volume of traffic on the Rhine in 1948 increased by 60 per cent as compared with 1947, although it was still appreciably less than one-half the pre-war volume. Traffic on the Oder and Vistula also increased, as did that on the Danube, which in 1948 reached about two-thirds of the 1938 traffic level. Inland waterways have nevertheless declined severely in importance, as compared with railways and roads, in the transport of goods.

Table 91 shows that the tonnage of shipping of the important European maritime countries had reached 93 per cent of pre-war tonnage by July 1948, an increase of 11 per cent over 1947. The substantial recovery of the European merchant marine occurred at the same time that the United States reduced its very large war-time merchant fleet. Shipping capacity has been growing faster than world trade; the decline of freight rates during 1947 and 1948 was an indication of competitive conditions that were developing in the shipping market. Surplus capacity may develop in the near future, and the shipbuilding industry, particularly in the United Kingdom, may thereby be affected.

Ocean freight traffic has increased as a result of the higher volume of oversea trade. The recovery in port activity was substantial in France, Poland and Germany, where production rose rapidly, and also in the Netherlands, which is dependent on German transit traffic. Traffic through Belgian ports, however, diminished in the summer of 1948. Generally speaking, the volume of traffic in the great continental ports was still below pre-war and reached only 94 per cent of the pre-war level in France, 83 per cent in

Table 91. Tonnage of Merchant Fleets of Certain Countries of Europe
1939, 1947 and 1948

Country	1939	1947	1948	1947	1948	Increase in capacity, 1947 to 1948
	(Thousands of gross registered tons) [a]			(Percentage of 1939)		(Per cent)
Denmark	1,176	1,025	1,123	87	95	10
France	2,953	2,327	2,799	79	95	20
Greece [b]	1,781	1,027	1,286	58	72	25
Italy	3,448	1,317	2,109	38	61	60
Netherlands	2,973	2,441	2,742	82	92	12
Norway	4,835	3,762	4,262	78	88	13
Spain	914	1,140	1,155	125	126	1
Sweden	1,582	1,830	1,975	116	125	8
United Kingdom [c]	17,795	16,221	17,210	91	97	6
Total of above countries	37,457	31,090	34,661	83	93	11
Germany	4,493	598	431	13	10	−28
Total of above countries (including Germany)	41,950	31,688	35,092	76	84	11
USSR [d]	1,316	2,164	2,107	164	160	−3

Source: Secretariat of the Economic Commission for Europe, *Economic Survey of Europe in 1948* (Geneva, 1949).

[a] June 30. Vessels of 100 gross tons and over.

[b] Including sailing vessels.

[c] For the post-war years, ships on bare board charter from Canada and United States are excluded.

[d] Including American ships temporarily under flag of Union of Soviet Socialist Republics.

Belgium, 78.5 per cent in Poland, 45 per cent in the western zones of Germany and about 35 per cent in the Netherlands.

In the Union of Soviet Socialist Republics, the volume of goods loaded on the railways in 1948 increased by 19 per cent over 1947; inland water transport by 29 per cent; ocean freight transport by 11 per cent; and road freight transport by 23 per cent. The expansion in the volume of goods transported was therefore somewhat less than the increase in industrial production. However, the volume of railway traffic measured in ton-kilometres expanded by 27 per cent and exceeded the volume of traffic in 1940. The volume of road transport was one and one-half times as great as in 1940.

Inflationary and Deflationary Pressures

The internal financial situation of most countries during 1948 was characterized by marked progress towards more stable conditions, although inflationary pressures were still a serious problem.

MOVEMENT OF PRICES AND WAGES

In most European countries the level of prices, as measured by wholesale price indices, continued to rise during 1948, though at a pace definitely slower than in the preceding year. The rate of increase during 1948 in most countries was about 2 to 5 per cent, as against 10 to 20 per cent during 1947. This rise in prices was due, not only to internal inflationary pressures, but also to increased world prices of imported raw materials which play an important part in the European economy. In the Union of Soviet Socialist Republics, following the monetary reform of December 1947, further reductions in prices took place.

The general trend of European prices since the end of 1946 has not been dissimilar to the movement of prices in the United States, and a slight fall in prices which occurred in the United States in the second half of 1948 was also reflected in the movement of wholesale prices in a number of European countries. While the internal prices of food and feed in most European countries are fixed irrespective of prices abroad, movements in world prices of minerals, cotton and wool, have a direct and immediate effect on price and cost factors in European countries.

Available statistics on the movement of wages also indicate a slowing down of the inflationary process. Wages in industry rose from 1947 to 1948 in all countries for which information is available, but in most cases the relative increase

was considerably smaller than in the preceding year. Apart from Austria, where the increase was part of a deliberate adjustment of prices and wages, Finland, France and Italy were the only countries in which money wages rose substantially. In other countries, the increase in the money wage level was only about 5 per cent, in most cases less than the increase in industrial productivity during the year.

ANTI-INFLATIONARY MEASURES

Important progress was made during 1948 by a number of European countries in improving the balance between government receipts and expenditures, thus reducing the impact of an important source of inflationary pressure. In the large majority of the fourteen countries for which data are available, the balance of current receipts and expenditure shows a steady improvement during the post-war years. Whereas in 1946 the great majority of countries had deficits of considerable magnitude, only three countries showed a deficit in 1948. Most of the others obtained a sizable surplus of revenue over current expenditure. Even when investment expenditure is taken into account there was still a surplus of revenue over expenditure in four countries. In the remaining countries, the deficits shown are, on the whole, smaller in relation to national income than they were in the last years before the war.

In addition to the efforts to restore budgetary stability, three distinct methods were used by various European countries for re-establishing internal stability. In some countries in which the accumulation of liquid funds had reached quite abnormal proportions, the method followed was to cancel money by means of monetary reform, or to reduce its value by means of a deliberate increase in the price and wage level. The monetary reforms carried out in the Union of Soviet Socialist Republics in December 1947[1] and in the occupation zones of Germany in the summer of 1948 are examples of the first type of measure; and the policy of trebling price and wage levels initiated in Austria in 1947 is an example of the second.

In other European countries which showed symptoms of suppressed inflation but where the accumulation of liquid funds had not reached the same dimensions, reliance was placed on the enforced adjustment of the relationship between savings and investment by the adoption of either or both of two policies: the policy of budgeting for a surplus of government revenues over expenditure—as for example in Denmark, Sweden and the United Kingdom—and the policy of curtailing investment, either by restricting public investment —as in Norway and to some extent in the United Kingdom—or through tighter controls over private investments—as was the case in Sweden.

Finally, some of the countries which experienced open inflation attempted to deal with the problem of speculative investments in stocks through quantitative limitations on bank credit, as in Belgium, France and Italy.

A further important factor in post-war inflationary pressure in Europe was the serious scarcity of essential consumer goods, particularly food and clothing, in relation to the high effective demand generated in countries maintaining full employment, and a distribution of income more favourable to lower income groups than before the war. Here again, the much improved supplies of food and clothing in all parts of Europe during 1948 have helped considerably to ease inflationary pressures.

MONETARY REFORMS IN GERMANY

The monetary reform carried out in the western zones of Germany in June 1948 was followed by rapid increases in production. Bank deposits and bonds as well as cash in circulation were generally revalued at the ratio of ten to one. The immediate effect was that commodities which had hitherto been hoarded appeared for sale. As a result, wage-earners could again buy a wide range of commodities out of their earnings, and this greatly increased incentives to work.

The change from a more controlled to a less controlled system of economy in the western zones of Germany gives rise to serious problems of economic policy. The co-existence of a largely uncontrolled economic system and of conditions of low real income have made a highly restrictive credit and taxation policy necessary to avoid inflation, and this restrictive policy may well prove incompatible with the maintenance of anything like a full utilization of resources.

The currency reform and the abolition of price

[1] For an account of the monetary reform of the Union of Soviet Socialist Republics see chapter 2 of part I of the present report.

controls in the western zones of Germany brought about a shift in the distribution of income in favour of profits, mainly in the sphere of commerce. While this shift in relative incomes helped to increase savings, it also had the effect of directing a high proportion of current investment into commerce, catering and other service industries, and to the construction of private houses—all of which are fields which have a comparatively low priority from the point of view of the economy as a whole. While prior to the monetary reform a relatively large part of available building materials found its way through black-market channels into the hands of the agricultural population, these highly scarce investment resources appear since the reform to have been directed to luxury investments in the towns.

Immediately following upon the reform in the western zones of Germany, a currency reform was introduced in the USSR occupation zone of Germany, which had the effect of reducing the quantity of money in circulation by a large factor. Revaluation took place at the rate of ten marks in the old currency for one mark in the new currency, but relatively favourable treatment was accorded to low income groups, small savings, the current accounts of publicly administered undertakings and certain agricultural enterprises. During 1948, as has already been noted, industrial production in the USSR zone of Germany rose by about 10 per cent over the previous year.

DISINFLATION

The policy of so-called "disinflation" pursued by some of the countries which suffered from suppressed inflation has not had such far-reaching effects as the monetary reforms in Germany; nor has it been associated with sudden or far-reaching shifts in the distribution of real income among the different social groups of the community. It has led, however, to a marked relaxation in the pressure of excessive demand, which is evident in the gradual relaxation of rationing—the ending of clothes rationing in the United Kingdom is one example—and also in the trend of expenditure on nonessential and unrationed goods or services which, under typical conditions of suppressed inflation, meet a heavy demand from surplus buying power in the hands of the consumer. Available data point towards a relaxation of buying pressure in these fields.

Since the war, inflationary pressure has been considerably relieved by deficits in the balance of payments of most European countries. To the extent that the various countries succeeded in 1948 in achieving a closer balance in their foreign accounts by restricting imports or expanding exports, their efforts to achieve internal equilibrium had to be much more severe if they were to be effective. This may partly explain why not all countries suffering from suppressed inflation have so far succeeded in reducing inflationary pressure. In Czechoslovakia and also, perhaps, in Norway, available evidence seems to indicate that inflationary pressures were not overcome during 1948. Czechoslovakia introduced a multiple price system in 1948—similar to that prevailing in the Union of Soviet Socialist Republics before the monetary reform—with the object of alleviating the problem of surplus purchasing power.

DEFLATIONARY SYMPTOMS

While the rise in the price level continued in 1948—though at a more moderate rate—in some of the countries of open inflation, in others inflation was definitely halted and was succeeded by distinct deflationary symptoms. This was the case in Italy, where the inflation which carried prices to over sixty times the pre-war level was halted in September 1947, and was followed by a period of falling prices, during which wholesale prices fell by about 20 per cent. In the course of this period there was a marked setback in economic activity; unemployment, which had persisted on a large scale even during the period of inflation, became more severe and production in a number of industries showed a downward trend. In the course of 1948, the position became more stable and a considerable revival of exports improved the level of industrial production, though it did not in any way solve the basic problem of chronic unemployment. It appeared in the early months of 1949 that some further deterioration had occurred in the Italian situation.

Deflationary symptoms also manifested themselves in 1948 in Belgium. There was a notable setback in the consumer goods industries, as a result of inadequate effective demand; unemployment rose sharply towards the end of 1948 and early months of 1949.

In France, the rise in the price level continued in 1948, although a number of important changes

occurred in the basic situation which foreshadowed an early end of the inflation. In the first place, a considerable fiscal effort, particularly in the form of direct taxation and also of economies in Government expenditure, made it possible to keep the monetary circulation stable despite the rising level of wages and prices. In the latter half of 1948, credit restrictions discouraged speculative investment. Favourable weather conditions led to an abundant harvest, comparable with that of the best pre-war years. Finally, a change in the price structure, which led to a substantial increase in the prices of industrial products in relation to agricultural prices, compelled farmers to offer a higher proportion of their produce for sale and raised profits in large-scale industry, where they did not affect consumption. Thus a reduced propensity to consume by the urban population was combined with an increased supply of goods available for consumption.

During the first quarter of 1949 substantially increased unemployment figures were reported in Austria, Belgium, Finland, France, the western zones of Germany, Italy, the Netherlands and Switzerland, though in many cases unemployment was still relatively low by comparison with pre-war years.

International Trade and Finance

TRADE

In 1948, as indicated in table 92, the total volume of foreign trade of European countries continued to increase in comparison with the two preceding years, but remained appreciably less than before the war. Exports rose 28 per cent above 1947 but were still 18 per cent lower than in 1938, as shown in chart 15. Imports increased by 6 per cent, to reach a level 14 per cent below pre-war.

Table 93 shows that Europe's trade with oversea countries in the post-war period was a considerably higher proportion of its total trade than in 1938. A heavier dependence on imports from abroad was inevitable in the early post-war years of general shortages in Europe. The necessity of procuring supplies from overseas has in turn influenced the relative shift in European exports abroad. This shift was moderately accentuated in 1948—the volume of shipments to oversea countries somewhat exceeding the 1938 level—while the volume of intra-European trade remained some 30 per cent below the pre-war level. Nevertheless, the increase in intra-European trade from the extremely low levels of the immediate post-war years was one of the factors permitting a substantial reduction during 1948 in both the absolute and the relative amounts of European imports obtained from overseas, compared with the two preceding years. Particularly significant was the sharp fall during 1948, as compared with the previous year, of $1,500 million (in current prices) in imports from Canada and the United States, which was more than compensated by increased imports from other oversea countries and from European sources.

Oversea Trade

Imports from Canada and United States. The primary factor in the reduction of Europe's balance of payments deficit with the United States in 1948 was the sharp cut in imports from that country, associated with increased imports from other oversea areas. Superficially, this change appears to suggest a pronounced diversion of trade, in line with the efforts of European countries to shift their purchases to non-dollar areas. However, European imports from the United States in 1947 included large amounts of goods supplied in response to emergency needs in Europe, such as grain, coal and textiles, of which there were exceptional shortages in Europe, and machinery, trucks, ships and other capital equipment required to meet extraordinary reconstruction needs.

Apart from bread and coarse grains, there appears to have been relatively little shift to the United States as a source of supply for specific products ordinarily obtained from other oversea countries, although in many instances there were serious deficiencies in such supplies.

Moreover, the principal decreases in Europe's imports from the United States in 1948 were not, for the most part, compensated by increased imports of the same commodities from other sources. This appears to be particularly true of the decline in imports from the United States, amounting to

Table 92. Volume of Imports and Exports of Europe

1947 and 1948 (1938 = 100)

Country	1938 Value in millions of dollars [a]	1947 (quarters) First	Second	Third	Fourth	1948 (quarters) First	Second	Third	Fourth	1947 Year	1948 Year [b]
TOTAL Europe: [c]											
Imports	12.460	69	84	86	86	84	88	85	88	81	86
Exports	10.630	55	64	66	71	72	82	82	91	64	82
United Kingdom:											
Imports	3.732	67	78	88	77	80	81	82	80	77	81
Exports	2.291	101	102	114	118	126	134	138	147	109	136
Ireland:											
Imports	183	92	117	141	147	138	136	103	. .	124	128
Exports	118	52	62	80	85	62	57	76	. .	70	67
France:											
Imports	1.198	110	143	112	102	88	111	105	108	107	103
Exports	863	75	91	80	84	69	107	94	106	85	94
Netherlands:											
Imports	732	69	84	82	88	. .	. .	. .	. .	81	. .
Exports	579	41	49	54	73	. .	. .	. .	. .	54	. .
Belgium-Luxembourg:											
Imports	702	99	98	105	133	107	103	101	108	109	105
Exports	721	51	77	67	66	81	93	93	117	65	96
Switzerland:											
Imports	340	127	150	143	168	165	158	128	135	147	146
Exports	301	108	115	111	126	106	124	121	152	115	126
Italy:											
Imports	519	. .	. .	. .	. .	. .	. .	. .	. .	123	106
Exports	549	. .	. .	. .	. .	. .	. .	. .	. .	54	84
Turkey:											
Imports	121	69	98	136	106	101	93	124	. .	102	122
Exports	122	122	89	63	82	70	69	59	. .	89	73
Denmark:											
Imports	308	. .	. .	. .	. .	. .	. .	. .	. .	80	81
Exports	335	. .	. .	. .	. .	. .	. .	. .	. .	67	72
Sweden:											
Imports	472	102	128	149	121	104	118	112	101	125	109
Exports	463	48	70	88	90	60	81	85	95	74	80
Norway:											
Imports	262	118	137	113	106	82	98	95	123 [d]	119	100
Exports	193	71	95	79	81	83	88	73	80 [d]	82	85
Finland:											
Imports	163	49	49	77	86	77	92	78	71 [d]	65	80
Exports	181	40	75	66	68	67	67	58	64 [d]	62	64
Austria: [e]											
Imports	263	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .
Exports	171	16	26	30	44	39	51	58	. .	29	. .
Czechoslovakia:											
Imports	262	60	90	90	96	121	112	98	. .	84	118
Exports	358	40	57	50	73	63	74	68	. .	55	74
Poland:											
Imports	231	94	173	124	124	145	150	123	132 [f]	128	108
Exports	223	34	59	65	63	76	92	104	91 [f]	55	99
Hungary:											
Imports	116	43	48	54	63	67	62	59	58 [f]	52	62
Exports	148	22	28	25	31	35	36	31	49 [f]	26	36
Bulgaria: [g]											
Imports	46	43	57	102	82	89	. .	. .	. .	71	. .
Exports	62	29	43	53	66	70	. .	. .	. .	48	. .

Source: Secretariat of the Economic Commission for Europe, *Economic Survey of Europe in 1948* (Geneva, 1949); except volume indices for France, data supplied by Statistical Office of the United Nations.

[a] The values of both imports and exports are shown on an f.o.b. basis.

[b] Where figures for the whole year were not available, the annual average has been based on indices covering part of the year and on import and export trends for the remainder of the year.

[c] The value of imports and exports in 1938 includes the Union of Soviet Social Republics and other European countries not listed in the table. Similarly, indices for total Europe in 1947 and in 1948 include rough estimates for these countries.

[d] Average of 2 months.

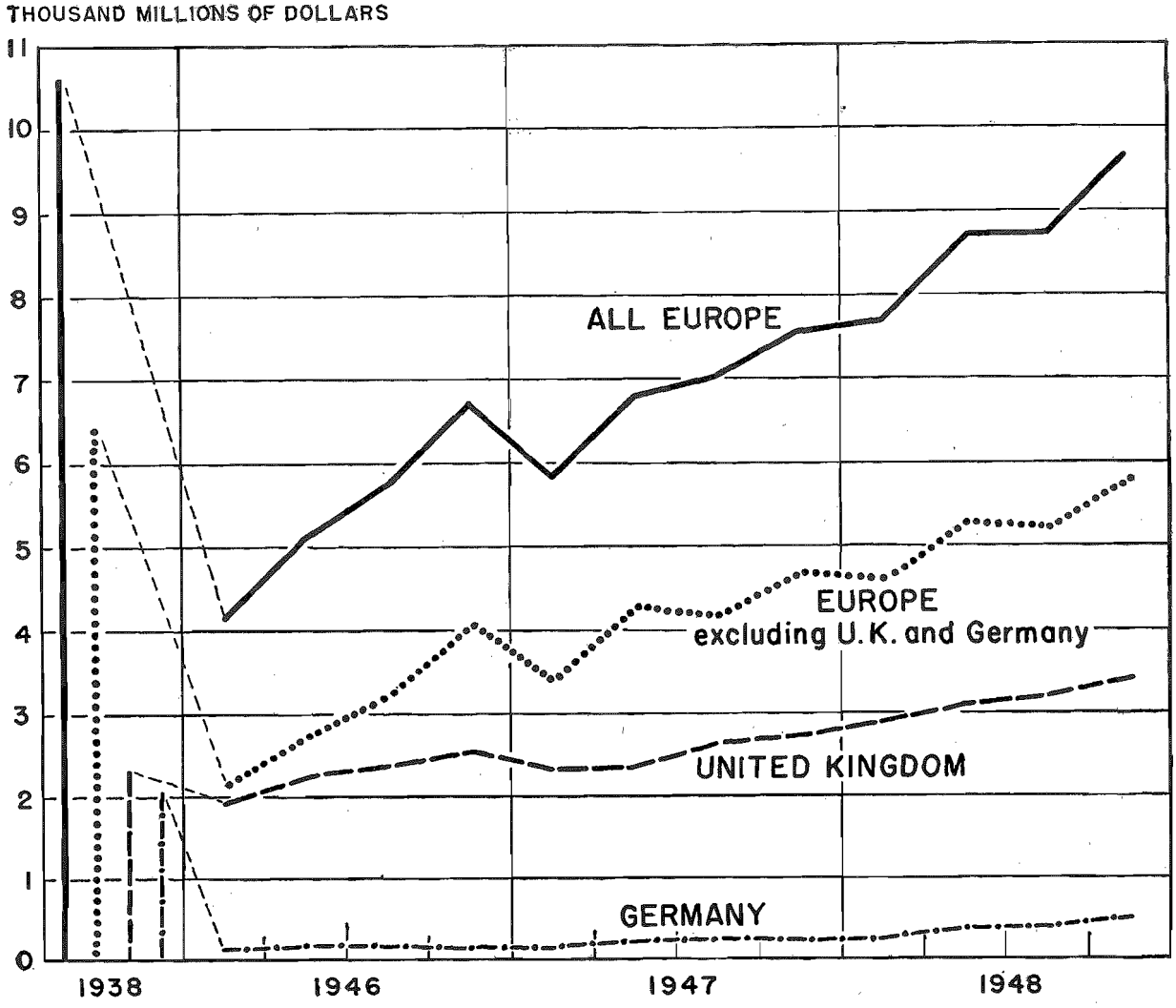
[e] Base of the index numbers: 1937.

[f] October only.

[g] Base of the index numbers: 1939.

Chart 15. Post-war Trends in European Exports Compared with 1938

(Quarterly movements expressed as annual rates in 1938 f.o.b. prices.)



$90 million in meat, $80 million in dairy products, $170 million in textile manufactures, $70 million in wood and paper, $200 million in coal, $100 million in steel and almost $500 million in machinery and vehicles, including railway rolling stock and ships.[1] In these major cases, reductions in 1948 do not appear to be due in any appreciable degree to shifts from the United States to other oversea supplying areas, but rather to changes in the volume and composition of Europe's post-war requirements as recovery has progressed.

On the other hand, grain imports from oversea sources other than the United States increased substantially in 1948 and might well have produced a decline in grain imports from the United States had it not been for the poor crops of the previous year, which greatly increased total import requirements. Grain and machinery together account for most of the difference of some $1300 million (in 1947 prices) between the 1948 and 1938 levels of Europe's imports from the United States. Most other commodities have returned to the 1938 volume or have even fallen below it. The major reductions were $300 million in cotton and $133 million in petroleum and its products.

It may likewise be estimated that the level of Europe's imports from the United States would have been little, if at all, higher than in 1938 but

[1] All figures in 1947 prices.

Table 93. Value of Trade of Europe in Current and Constant Prices
1938, 1947 and 1948

Year	Trade with non-European countries (In millions of dollars)	Trade with non-European countries (Percentage of 1938)	Intra-European trade (In millions of dollars)	Intra-European trade (Percentage of 1938)	Total trade of Europe (In millions of dollars)	Total trade of Europe (Percentage of 1938)	Distribution of total: Trade with non-European countries (Percentage of total)	Distribution of total: Intra-European trade (Percentage of total)
In current f.o.b. prices:								
1938 Imports	5,548	100	6,912	100	12,460	100	45	55
Exports	3,718	100			10,630	100	35	65
1947 Imports	13,719	217	8,661	229	22,380	221	61	39
Exports	6,382	212			15,043	221	42	58
1948 [a] Imports	14,549	244	11,446	239	25,995	242	56	44
Exports	8,605	221			20,051	230	43	57
In 1938 f.o.b. prices:								
1938 Imports	5,548	100	6,912	100	12,460	100	45	55
Exports	3,718	100			10,630	100	35	65
1947 Imports	6,320	114	3,789	55	10,109	81	63	37
Exports	3,013	81			6,802	64	44	56
1948 [a] Imports	5,960	107	4,797	69	10,757	86	55	45
Exports	3,886	105			8,699	82	45	55

Source: Secretariat of the Economic Commission for Europe, *Economic Survey of Europe in 1948* (Geneva, 1949).

[a] Provisional, based on figures for less than the full year.

for the extraordinary relief and assistance programmes to Austria, Germany, Greece and Turkey, whose imports from the United States remained at a high level. Increases in several instances served to offset drastic reductions in imports of United States goods into other European countries. The over-all reduction of United Kingdom imports from the United States was particularly severe; the total fell to little more than one-half of the pre-war volume.

The low level of eastern European imports from the United States in 1948 largely reflects the impact of United States export licensing policy. The application of export controls at first resulted in an almost complete cessation of United States machinery exports to the Union of Soviet Socialist Republics and eastern Europe; the total fell from $41 million in the first quarter of 1948 to only $6 million in the second quarter. Subsequently, the number of export licences issued increased to some extent, but remained considerably below the value of licences applied for; the volume of machinery exports, in particular, remained much smaller in 1948 than in 1947.

Canada was the only other major source—together with the United States—from which European imports decreased from 1947 to 1948; the decline from $1,157 million to $1,059 million (both figures in current prices) was, however, much less drastic than in imports from the United States.

Imports from other areas. Measured in current prices, and hence reflecting increases in prices as well as in volume, imports into Europe from countries other than the United States and Canada increased in total value by approximately $2,340 million, or about 35 per cent, from 1947 to 1948. As is shown in table 94, about one-half of this increase was the result of imports from the sterling area.

Table 94. Increase in Imports of Europe from Oversea Countries from 1947 to 1948
(In millions of dollars at current prices)

Area	Increase
Total, excluding Canada and United States	+2,340
Sterling area	+1,135
French oversea territories	+ 250
Latin America [a]	+ 395
Other Asia and Oceania [a]	+ 360
Other Africa [a]	+ 200

Source: Secretariat of the Economic Commission for Europe, *Economic Survey of Europe in 1948* (Geneva, 1949).

[a] Excluding countries of sterling area and French oversea territories.

Although the quantitative increase in imports from the sterling area into the United Kingdom was of greatest importance, the percentage rise was particularly large in the case of France, Ire-

land, Norway and Sweden. Belgium and Italy, on the other hand, increased their imports from the oversea sterling area only very moderately. All parts of the oversea sterling area contributed to this expansion; the largest increases were shown by Australia and the African colonies.

In addition to grain, the most important items contributing to the increase in European imports from countries other than the United States were sugar, fats and oils, wine, other foods, rubber, petroleum and metals and ores. These principal items accounted for an expansion of some $1,350 million dollars, measured in 1947 prices. A substantial part of the remainder of the increase between 1947 and 1948, in the value of imports from oversea countries other than the United States and Canada, was attributable to the increase in prices between the two years.

Exports. Of Europe's gain in oversea exports in 1948, only a small part was achieved in trade with Canada and the United States, which increased by a small amount from 1947 to 1948 and remained below the 1938 level, while exports to other oversea countries rose substantially and exceeded the 1938 volume. On the other hand, the relative increase in exports to the United States and Canada was about equal to the corresponding relative increase in exports to other oversea countries. The United Kingdom, which has directed the major portion of its export drive towards oversea countries, accounted for well over one-half of the aggregate increase in oversea exports. As a result of this expansion, the United Kingdom's exports in 1948 were 48 per cent of total European exports to oversea countries, compared with 40 per cent in 1938.[1] The rise in British exports from 1938 to 1948 is approximately equal to the decline during the same period in the oversea exports of Germany, which accounted for 15 per cent of European exports to oversea countries in 1938 and just over one per cent in 1948.

The share of European exports to affiliated currency areas is very large and has shown a marked tendency to increase in comparison with pre-war. The only significant exception has been the Netherlands, where exports to its own oversea territories have taken a smaller share of the total than in 1938, largely as a result, however, of the serious limitations on trade resulting from post-war strife in Indonesia. The most striking instance of export diversion to oversea soft currency areas is provided by France, where the share of French oversea territories rose progressively, from about 61 per cent in 1938 to almost 75 per cent of total French oversea exports in 1948.

The diversion of exports to oversea countries with currencies linked to the sterling area and to the oversea territories of other European countries has its counterpart in the decline in the relative share of European exports taken by other oversea areas, particularly the hard currency countries. From 1938 to 1948, the share of Canada and the United States declined from 14.6 to 12.7 per cent of British exports, from 29.8 to 20.5 per cent of Belgian exports, from 13.9 to 6.8 per cent of French exports and from 15.3 to 11.5 per cent of Netherlands exports. In some of these instances there was a moderate recovery from still lower percentage shares in 1947. It should be noted that imports into the United States were abnormally low in 1938 because of a sharp recession in that year which reduced imports by about one-third, as compared with the 1937 level.

Exports to Latin American countries, excluding dependent territories of European countries, tended to be better maintained in their relation to total oversea exports of European countries, but even in this area there was some decline in their share in the total oversea exports of the leading European trading countries.

The volume and character of European exports to the United States are exceedingly significant, because of the heavy impact of the dollar shortage on European trade. Finished manufactures accounted for only 40 per cent of Europe's exports to the United States in 1948, in contrast with roughly two-thirds of Europe's total exports to oversea countries. A relatively greater part of Europe's exports to the United States has been in the category of industrial materials, both crude and semi-manufactured, among which wood pulp, precious stones and dressed and undressed furs are of leading importance. Trade has been conspicuously small in products representing a cross-section of the kind of goods which Europe has been able to provide to the world in general, outside the United States.

[1] Based on current values.

Intra-European trade

As is shown in table 95, intra-European trade was significantly larger in 1948 than in 1947; the over-all volume increased by some 25 per cent. In real terms, the increase was sharpest in trade among eastern European countries, which by 1948 had reached almost three times the pre-war volume. Trade among western European countries, which formed almost three-quarters of total intra-European trade before the war, rose by some 20 per cent from 1947 to 1948 but still remained well below the 1938 level. This low volume of western European trade was chiefly attributable to Germany, whose export and import trade with western European countries in 1948 was less than one-third of the 1938 volume. Trade among other western European countries returned to the pre-war level but did not compensate for the sharp fall in their trade with Germany.

The low level of German exports and imports also helped to explain the relatively small volume of post-war trade between eastern and western European countries, which before the war constituted roughly one-quarter of total intra-European trade and was equal in size to about one-third of Europe's total imports from oversea countries. But even with Germany excluded, trade between eastern and western European countries in 1947 amounted to less than two-thirds of the 1938 level.

Intra-European trade in food and industrial materials, which constituted about 70 per cent of the total volume of goods traded among European countries before the war, remained severely depressed in 1948, at less than two-thirds of the 1938 level, whereas intra-European trade in finished manufactures was somewhat higher—at about 80 per cent of the pre-war amount. The extent of the increase from 1947 to 1948 was, however, much greater in food and industrial materials, since trade in finished manufactures was adversely affected by the general tendency on the part of most European countries to reduce their purchases of less essential goods. A smaller volume of intra-European trade in manufactures and industrial materials in 1948, compared with 1938, continued to reflect the low level of Germany's exports, although these exports expanded considerably from 1947 to 1948. In addition, other European suppliers developed their production and exports to replace Germany in certain important fields, notably machinery.

Germany was the largest single supplier of industrial products to eastern Europe before the war; in general, other western European countries

Table 95. Intra-European Trade

1938, 1947 and 1948

(In millions of dollars in 1938 f.o.b. prices)

Year	Total intra-European trade		Trade among western European countries [a]		East-west trade		Trade among eastern European countries [a]	
	(In millions of dollars)	(Percentage of 1938)	(In millions of dollars)	(Percentage of 1938)	(In millions of dollars)	(Percentage of 1938)	(In millions of dollars)	(Percentage of 1938)
Including Germany:								
1938	6,912	100	4,993	100	1,751	100	168	100
1947	3,789	55	2,964	59	566	32	259	154
1948	4,797	69	3,583	72	731	42	483	288
Excluding Germany:								
1938	4,352	100	3,024	100	1,160	100	168	100
1947	3,447	79	2,645	87	543	47	259	154
1948	4,207	97	3,045	101	679	59	483	288

Source: Secretariat of the Economic Commission for Europe, *Economic Survey of Europe in 1948* (Geneva, 1949).

[a] Including Austria, Belgium, Denmark, Finland, France, Germany (all zones), Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey and United Kingdom.

[b] Including Bulgaria, Czechoslovakia, Hungary, Poland, Romania, Yugoslavia, Union of Soviet Socialist Republics, including Estonia, Latvia and Lithuania, in 1938 figures.

have fallen far short of replacing Germany as the source of supply for such commodities as machinery, iron and steel, instruments and apparatus. As a result of heavier war devastation in eastern European countries, the flow of trade from eastern to western Europe had by 1947 fallen even more sharply than western exports to the east, compared to pre-war years. In particular, exports of foodstuffs in 1947 were less than 10 per cent of the 1938 volume, while supplies of timber from the east were little more than one-quarter of pre-war — and of petroleum, less than one-fifth. The most significant changes in 1948 were increased deliveries of grain, timber and coal from the east. Grain exports were resumed in quantity by the Union of Soviet Socialist Republics, which delivered about 1.1 million metric tons in 1948 to western Europe, particularly the United Kingdom, as compared with 1.6 million metric tons in 1938. Larger quantities of meat and dairy products were exported by Poland, and fruit and vegetables by Hungary. France and Italy also made larger purchases of tobacco from eastern Europe. Timber supplies from the east have also improved and coal deliveries from Poland increased from 8.2 million tons in 1947 to 12.2 million tons in 1948.

As a result of the expansion of its exports, eastern Europe in 1948 had a surplus of $350 million in its trade with western Europe. This surplus has mainly been used to pay for eastern Europe's excess of imports from oversea countries, particularly in the sterling area. Wool, rubber, cotton and other raw materials have been imported by eastern Europe from overseas. The use of sterling and other currencies earned in western Europe to finance imports from the sterling area and other oversea sources appears to constitute a significant element of multilateral trade in eastern Europe's relation with other countries.

The trade agreement concluded in December 1948 between the United Kingdom and Poland is of major significance, since it indicates the lines along which it has been found possible to expand east-west trade. The agreement provides for exchanges of $524 million each way during the five-year period ending in 1953. Poland is to deliver food and timber against supplies from the United Kingdom of raw materials and manufactured goods, including capital equipment.

Another important change in the character of intra-European trade has been in the position of the United Kingdom. The United Kingdom began the year 1948 as the largest intra-European debtor, because of the large volume of liquid sterling balances which other western European countries had built up during and after the war. The decline in the large post-war disbursements for relief and military costs in Europe, the reduction in the United Kingdom's share of the civilian supply programme in the United Kingdom and United States zones of Germany and tighter restrictions on travel to the continent changed the net balance on invisible transactions with western European countries from a deficit of $240 million in 1947 to a surplus of $92 million in 1948. At the same time, the surplus on merchandise account with these countries increased to $228 million, as exports increased substantially while British imports continued to be restricted. With eastern Europe, on the other hand, the United Kingdom's position changed between 1947 and 1948 from net creditor to net debtor.

Terms of trade

In 1948 almost 90 per cent of Europe's total imports from non-European sources consisted of food, fuel and industrial raw materials, while finished manufactures constituted nearly 70 per cent of the total value of Europe's exports to oversea countries. Europe's terms of trade with oversea countries have thus to a large extent been determined by the relationship between the prices of its exports of manufactures and those of its imports of foodstuffs and raw materials.

In 1946 the terms of trade were actually more favourable than in 1938. Between 1946 and 1948, however, the unit value of oversea imports rose by 37 per cent, while there was only a 19 per cent increase in the unit value of exports. As a result, the terms of trade in 1948 were about 10 per cent less favourable than in 1938. The deterioration in the terms of trade was as large—if not larger—from 1947 to 1948 as it was from 1946 to 1947, but price trends during 1948 indicate that the deterioration may have slowed down or halted in the latter part of the year.

The terms of trade of European countries would have been much more unfavourable than they were in 1947 and 1948 if they had sold their exports and purchased their imports at United States

prices.[1] In that case, Europe's oversea terms of trade would have deteriorated by about 27 per cent in 1947 and 1948, compared with pre-war, instead of 2 per cent and 10 per cent, respectively, in these two years. The United Kingdom would have experienced an even more marked deterioration of some 40 to 50 per cent in its terms of trade, if the rise in its export and import prices had corresponded to the changes in United States prices since 1938, instead of the deterioration of around 16 to 18 per cent at the price levels which actually prevailed in its foreign trade. These comparisons suggest that European countries have so far not experienced the full impact of the unfavourable changes in the price relation between the primary products which they are buying and the manufactured goods which they are selling. In this respect, the position of the United Kingdom was thus broadly similar to that of other European countries, though the underlying causes were rather different. In the United Kingdom, the deterioration of the terms of trade was allayed largely because it was able to purchase food and raw materials from the Dominions and other areas at prices considerably below those prevailing in the United States market. In the case of the continental countries, the fact that the terms of trade have not deteriorated more sharply appears to have been mainly due, not to the low prices paid for imports, but to the relatively high prices charged for exports.

The effects of recent price recessions in the United States have tended to reduce somewhat the differences between prices in the United States market and prices at which European countries buy in other oversea countries.

European countries have so far been able to achieve a remarkable expansion in their exports in spite of their high prices. This expansion was, however, primarily in markets which, for reasons of political or monetary affiliation, have been shielded from outside competition. Recovery registered so far is thus largely to be explained by the fact that trade proceeded between countries with inconvertible currencies and through bilateral agreements. The continuation of Europe's export expansion and the ultimate achievement of trade equilibrium, however, will require the development of export sales in areas more open to competition.

BALANCE OF PAYMENTS

The large deficit which has characterized Europe's balance of payments with the outside world since the war was very substantially reduced in 1948, as is indicated in table 96. The reduction amounted to about $2,000 million, or more than one-fourth, compared with 1947. The reduction was concentrated, moreover, at the point where the deficit had been greatest, that is, in transactions with the United States. There was, in fact, a decline of about $2,100 million in the deficit with the United States in contrast with a moderate increase in the deficit with other oversea countries.

Of the total reduction in the deficit with non-European countries, the improvement in the merchandise trade account was responsible for approximately $1,300 million and would have been substantially greater, but for the deterioration in Europe's terms of trade from 1947 to 1948. The rest of the reduction in the current account deficit was attributable to a change in the net position on invisible transactions, from an unfavourable balance of about $100 million in 1947 to a favourable balance of $600 million in 1948, growing primarily out of a striking improvement in Europe's shipping position.

Measured in 1938 prices, the oversea trade deficit of European countries declined by some $1,200 million between 1947 and 1948. Since the average level of both export and import prices in 1947 was more than twice as high as in 1938, this volume change would—other things being equal—have improved the current trade balance by roughly $2,500 million. However, the actual improvement in current prices was limited to about $1,400 million. The adverse effect on the trade balance of the deterioration in Europe's terms of trade between 1947 and 1948 was thus in the neighbourhood of $1,000 million.

[1] The statements in this paragraph are based upon a calculation designed to show what Europe's import and export prices and its terms of trade with oversea countries would have been if the various commodities entering into the trade had been bought and sold at the prices ruling in the United States market. For this purpose, indices of United States prices were applied to each of sixty groups of foodstuffs, industrial materials and manufactured goods into which Europe's trade was divided, and the separate indices were weighted according to the current volume of trade in each group, valued at 1938 prices. A similar calculation was made for the external trade of the United Kingdom. For further details of the method used, see *Economic Survey of Europe* (Geneva, 1949), page 267.

Table 96. Balance of Payments of Europe
1938, 1947 and 1948
(In thousand millions of dollars in current prices)

Item	1938			1947			1948 [a]		
	Total	United States	Other non-European countries	Total	United States	Other non-European countries	Total	United States	Other non-European countries
Europe's imports (f.o.b.)	5.5	1.3	4.2	13.9	6.1	7.8	14.8	4.8	10.0
Europe's exports (f.o.b.)	3.7	0.6	3.1	6.4	0.9	5.5	8.6	1.1	7.5
Balance on trade account	−1.8	−0.7	−1.1	−7.5	−5.2	−2.3	−6.2	−3.7	−2.5
Income from investment (net)	1.2	0.1	1.1	0.6	—	0.6	0.5	—	0.5
Transportation (net)	0.6	0.2	0.4	−0.4	−0.7	0.3	0.3	−0.2	0.5
Other invisibles (net)				−0.3	0.2	−0.5	−0.2	0.3	−0.5
Balance on invisibles account	1.8	0.3	1.5	−0.1	−0.5	0.4	0.6	0.1	0.5
Balance on goods and services	—	−0.4	0.4	−7.6	−5.7	−1.9	−5.6	−3.6	−2.0

Source: Secretariat of the Economic Commission for Europe, *Economic Survey of Europe in 1948* (Geneva, 1949).

[a] Provisional, based on incomplete data for the year.

Invisible items

The low level of income from investments compared with pre-war is partly the result of the war-time and post-war liquidation of investments, and partly the result of the impairment of earning capacity caused by destruction during the war and continued civil strife since the war, especially in the Far East. On the other hand, other investments of an equity or entrepreneurial nature, particularly in the Western Hemisphere, probably yield higher returns because of the general rise in prices and incomes, although this would not be true of remaining investments in fixed-interest securities. Clearly, however, the real value of Europe's income from oversea investment in terms of its power to buy imported goods has been reduced very much more than can be accounted for by the war-time liquidation of assets. The further small decline in investment income from 1947 to 1948 appears to be due to some continued liquidation of oversea assets, together with a moderate increase in interest payments to oversea countries resulting from new post-war borrowing by European countries.

The most important change in Europe's balance of payments during the past year has been the decisive improvement in its position on shipping account, in which net payments of $400 million in 1947 were replaced by net receipts of $300 million in 1948. The major part of the improvement has been in the transportation account with the United States and has been primarily the result of the reduction in freight payments to United States vessels for the carriage of European imports. This has been partly due to some lowering of freight rates, but in larger measure to the decline in imports from the United States, particularly in the heavy freight item, coal, and to the decreased dependence of Europe on United States ships with the reconstitution of the European shipping fleet.

Because of its mixed composition—including travel receipts and expenditures between non-European and European countries, receipts and expenditures on government account and miscellaneous transactions—the "other invisibles" item in the balance of payments can scarcely be subjected to systematic analysis. Foreign travel in Europe has steadily increased since the war, helping to restore the traditional favourable position on this account; it seems clear that the persistence of a large net deficit by European countries on "other invisibles" with countries other than the United States has been heavily influenced by military expenditures abroad.

Shares in the oversea deficit

Almost all European countries have experienced difficulties in financing their imports from oversea sources since the war. In some countries the difficulty has resulted directly from adverse developments in their oversea trading position—the loss of markets, or the drying-up of income from investments or the necessity of buying from abroad goods previously obtained within Europe. In other

instances, the effect has been more indirect, resulting from the disappearance of export surpluses in intra-European trade which formerly provided convertible exchange for meeting oversea requirements.

Moreover, the adaptation to the shortage of external means of payments has differed widely in different countries. Some countries, partly out of their own previously accumulated reserves and partly out of financial assistance from abroad, have been able to maintain large deficits in their oversea accounts. In other countries, lack of such resources has necessitated an adjustment of imports to the means available to pay for them.

Table 97 shows that the United Kingdom had the largest share in the oversea trade deficit in both 1947 and 1948, but also registered the largest over-all reduction in its deficit between these two years, particularly in trade with the United States.

France had the next largest oversea trade deficit in 1947 and reduced it only moderately in 1948. On the other hand, the excess of imports into Germany became even greater in that year because of the substantial rise in imports compared with exports. More than three-fourths of the German deficit was in trade with the United States, which supplied two-thirds of total German imports in 1948, compared with only about 7 per cent in 1938. Among the other countries, one of the most drastic changes was the reduction in Sweden's trade deficit with oversea countries, particularly in trade with the United States.

Five countries—France, Germany, Italy, Netherlands and the United Kingdom—directly accounted for two-thirds or more of the total oversea trade deficit of Europe in 1947 and 1948. The inclusion of Belgium and Luxembourg, Norway and Sweden raises the deficit for these countries to four-fifths of the total. In its outward and direct expression, the European balance of payments problem thus appears primarily as a problem of western European countries.

Financing the deficit

Since the war, Europe has relied on all three of the possible ways of financing a deficit on trade and service account, namely, gifts, loans and the liquidation of gold and other assets. The problem of covering current expenditure overseas was complicated by outflows of capital from European countries. Computed on a gross basis, the outflow of capital from Europe during the past two years was on a scale approaching that of earlier periods of large-scale capital movements.

These capital outflows from Europe, however, included not only oversea investment for development purposes—adding to the earning assets of European countries—but also debt repayments of a contractual nature and reductions in claims on

Table 97. Balance of Trade of Europe
1938, 1947 and 1948
(In millions of dollars at current f.o.b. prices)

Country	With oversea countries: All oversea countries			With oversea countries: United States			With oversea countries: Other overseas countries			With European countries			Percentage of total imports covered by total exports		
	1938	1947	1948	1938	1947	1948	1938	1947	1948	1938	1947	1948	1938	1947	1948
Total Europe [a]	−1,830	−7,337	−5,944	−776	−4,898	−3,247	−1,054	−2,439	−2,697	—	—	—	85	67	77
United Kingdom	−912	−1,966	−1,146	−375	−895	−390	−537	−1,071	−756	−529	240	228	61	73	87
France	−343	−1,126	−1,092	−80	−762	−509	−263	−364	−583	8	78	−68	72	63	65
Netherlands	−89	−536	−475	−41	−353	−246	−48	−183	−229	−64	−158	−228	79	51	59
Belgium-Luxembourg	−66	−445	−230	−35	−373	−200	−31	−72	−30	85	80	96	103	79	93
Switzerland	8	−72	−118	−4	−98	−69	12	26	−49	−47	−183	−139	89	75	76
Italy	74	−574	−367	−17	−444	−297	91	−130	−70	−44	94	156	106	61	84
Denmark	−50	−141	−167	−20	−76	−35	−30	−65	−132	78	73	49	109	88	82
Sweden	−60	−359	−79	−22	−298	−30	−38	−61	−49	51	−45	−39	98	69	90
Norway	−47	−192	−103	−12	−150	−57	−35	−42	−46	−22	−123	−141	74	55	64
Germany	−101	−656	−1,119	−67	−579	−862	−34	−77	−257	288	130	188	110	45	49
Czechoslovakia	+6	−122	−40	−1	−96	−7	7	−26	−33	90	110	91	137	98	107
Poland	−44	−135	−91	−14	−105	−49	−30	−30	−42	36	−7	106	97	64	103
Other European countries [a]	−206	−1,013	−917	−88	−669	−496	−118	−344	−421	70	−289	−299	93	62	70

Source: Secretariat of the Economic Commission for Europe, *Economic Survey of Europe in 1948* (Geneva, 1949). Export surpluses except where minus (—) indicates excess of imports over exports.

[a] Including the Union of Soviet Socialist Republics.

Europe built up by oversea countries during the war, especially drawings on sterling balances in London. In addition, there was a substantial capital outflow of an unco-ordinated nature, much of it consisting of the flight of private capital for tax evasion or security reasons.

The total amount of external financing provided to Europe in 1948 was very much smaller than in 1947. This reflects in part the reduction in Europe's current account deficit, although the size of the deficit was necessarily influenced by the amount of financing available, since all countries adopted much more restrictive import policies following the heavy drains on their reserves in 1947. In addition, the amount of financing required appears to have been favourably influenced by a reduction in outward capital movements from Europe, as the outflows which had been so important in 1947 were brought under better control. Indeed, the lessening of the over-all financial assistance required was such that towards the close of 1948 several countries were able to register a slight, but perhaps temporary, increase in their dollar reserves.

One of the striking features of the post-war situation has been the dependence of Europe on dollars to finance European requirements from oversea countries other than the United States.

The total dollar resources utilized by European countries, including the liquidation of their own assets, amounted to some $8,600 million in 1947, or $2,900 million more than their aggregate deficit on goods and services with the United States in that year. The data for 1948, although less complete, show an excess of about $2,300 million. These figures indicate the possible magnitude of net dollar settlements by European countries in their transactions with oversea countries other than the United States.

The dependence of Europe on dollars to finance imports from countries other than the United States is a profound change from the pre-war pattern of financial settlements. In former years, Europe was able to meet its trade deficit with the United States through dollars received from third countries, which they in turn earned out of their surplus of exports to the United States. The countries in question were primarily the oversea colonial territories of European countries, especially the British and Netherlands possessions in the Far East.

Since the war, the flow has been reversed and Europe has been paying out dollars to many oversea countries while they in turn utilized such dollars, along with additional amounts received through credits or drawn from gold and dollar reserves, to settle their trade deficits with the United States.

Although the broad pattern of international dollar settlements remained similar, there were some significant modifications from 1947 to 1948. As in the case of Europe, many oversea areas sharply reduced their trade deficits with the United States in 1948; some even became net suppliers of dollars to other countries. The dollar deficits of the dependent territories of western European countries were sharply reduced in 1948; as a result they became less dependent on dollar transfers from Europe.

The most complete change, however, was in the position of Europeon countries not participating in the Organisation for European Economic Co-operation, principally the eastern European countries. In 1947 this group of countries had a relatively large excess of imports from the United States, covered principally by aid received in the final stages of the programme of the United Nations Relief and Rehabilitation Administration but in 1948 eastern Europe, and particularly the Union of Soviet Socialist Republics, had an active balance with the United States.

Economic Plans

During the past year the countries of western Europe have fulfilled their export and investment plans, while their plans for the production of basic commodities were not completely realized. The countries of eastern Europe made good progress in their production plans and achieved a higher degree of fulfilment in their trade plans than in the previous year. Their investment plans were not, however, completely fulfilled. In the Union of Soviet Socialist Republics the record of

plan fulfilment in 1948, both over-all and in the individual branches, was better than in the preceding two years.

WESTERN EUROPE

In the summer of 1948, the Organisation for European Economic Co-operation invited each of its member countries to submit a plan showing how it intended to maintain its economy without extraordinary outside assistance by 1952-53,[1] when financial aid from the United States, furnished through the European Recovery Program, was due to end.

The existing programmes are provisional and are to be modified in order to secure a higher degree of economic co-ordination among the individual countries within the organization. Nevertheless, an analysis of the existing programmes gives an indication of the pattern of change that is expected to result from the current national plans of western European countries.

Production

The primary aim of the production plans is the restoration of the balance of payments of each country through the development of those branches of production which increase potential exports or provide substitutes for imports.

It is planned to increase the gross national product of the total group of countries in the Organisation for European Economic Co-operation by 20 per cent, as compared with 1938, or 35 per cent, compared with 1947. The average rate of growth of 6 per cent per annum is thus rather less than the average increase in agricultural and industrial production over the last two years, but considerably more than the annual rise in production in pre-war years. This figure, however, is unduly inflated by the inclusion of the western zones of Germany, whose gross national product is expected to triple over the period. Excluding Germany, the annual increase in production is considerably smaller—about 3 to 4 per cent. The increase in production assumed in the plan cannot thus be regarded as excessive, particularly since the actual increase from 1947 to 1948 was more than twice the annual rate of increase expected in the next four years. The increases in production nevertheless appear sufficient to leave a larger volume of resources available for home use than before the war, despite the plans for increased exports in relation to imports.

With the exception of the western zones of Germany, the highest rates of expansion, for countries for which figures are available, are found in the heavy industries. Outside Germany, the production of crude and finished steel, dyestuffs, aluminium, machine tools and nitrogenous fertilizers all show planned rates of expansion of more than 50 per cent, as against the 35 to 40 per cent expansion in total industrial production. Available textile statistics (cotton yarn and cotton piece-goods) show rates of expansion considerably below the average rate of increase of industrial production as a whole.

In general, the examination of the production programmes reveals two main trends. First, there is a definite concentration on the development of heavy industries, reflecting the need for increased oversea exports and the increase in requirements for domestic investment. Secondly, it appears that the trend of industrial development is towards a greater dispersion of industries in Europe and a greater diversification of the industrial structure of individual countries than prevailed before the war.

Trade

In trade with the rest of the world, it is planned that imports at the end of the programmes should approximate pre-war, with exports at about one-third above pre-war. In trade with the dependent oversea territories, the volume of imports is expected to be 38 per cent above pre-war as a result of investments which are now being undertaken; these should secure increased supplies of fats, oils, non-ferrous metals and other scarce primary products. The increase in the supplies from these territories, although proportionately large, will, however, be equal in value to only 2 per cent of total imports. Among the OEEC countries themselves, the volume of trade is expected to rise by some 50 per cent between 1947 and 1952-53, regaining its pre-war volume. Thus imports originating from OEEC countries will represent a higher proportion of total imports in 1952-53 than in 1947. It is to be noted, however, that both

[1] Year ending 30 June 1953.

imports from the rest of the world and imports from other OEEC countries will, at the end of the programmes, stand in the same relation to 1938. Thus in relation to pre-war, there appears to be no general substitution of trade among countries of the Organisation for European Economic Co-operation for oversea trade.

In trade with other areas, the change in the relation between total exports and total imports conceals considerable divergencies in the trade plans of the individual countries. The low level of imports relative to exports is almost entirely due to the import programme of the United Kingdom, which alone accounts for some 40 per cent of the total imports of the group, and which intends to restrict imports from the outside world in 1952-53 to less than 80 per cent, while raising exports to 146 per cent of the pre-war level. If the United Kingdom is excluded, the imports of other OEEC countries are planned at 21 per cent and exports at 26 per cent above the pre-war level, so that the contemplated changes in the relationship of exports to imports are not so significant. If both the United Kingdom and the western zones of Germany are excluded, the remaining OEEC countries intend to raise both exports and imports to 123 per cent of pre-war.

The volume of trade among the OEEC countries themselves is expected to lag considerably behind the increase in the volume of production and, in spite of the desire to secure a higher degree of economic co-operation, the member countries plan to exchange a lower proportion of production in trade among themselves than they did before the war. A comparison of the movement of the ratios of imports and exports to home production between the programme period and pre-war, suggests that, on the production side, far greater emphasis is being placed on import saving and the development of industries providing substitutes for oversea imports than on the expansion of industries providing exports.

It is particularly noteworthy that by 1952-53 the OEEC countries plan to import from eastern Europe, including the Union of Soviet Socialist Republics, only 73 per cent of the 1938 volume of imports from that area, while exports to eastern Europe are not planned to advance beyond 80 per cent of the 1938 level. On balance, a small import surplus from eastern Europe is anticipated for 1952-53.

On the basis of these national programmes, the over-all deficit in the balance of payments would be reduced to $800 million in 1952-53, which in turn is the result of a deficit of $1,300 million with North America, a small deficit with other areas and a surplus of $650 million with the non-participating sterling area.

The reduction in the adverse balance is to be achieved by almost doubling the volume of over-all exports to the outside world over the entire period of the programme and by a rise in invisible income to $1,400 million in 1952-53. The volume of imports from the outside world, on the other hand, is expected to rise by less than 3 per cent, some $300 million in constant prices.

Conclusions of the Organisation for European Economic Co-operation

The OEEC, after an examination of these national programmes, concluded that it would be impossible to fulfill them unless they were considerably modified. From a survey of the import programmes it concluded that the import requirements stated in the national programmes overestimated the supplies that were likely to be available from every oversea area except North and Central America.

With regard to exports, the OEEC doubted, in view of the tremendous increase in exports of manufactures from the United States, whether western European manufacturers would possess the competitive power to increase sales to the extent assumed. In a number of areas like eastern Europe and the sterling area, it appeared that the capacity of countries to import goods from western Europe would be limited by the ability of those areas to earn foreign exchange through exports. In other areas, such as South America, the Far East or Canada, it appeared that exports would also be limited by the ability of western Europe to compete with the United States, which has secured a major share in these markets. Finally, in the United States itself, exports would be limited owing to the fact that the share of imported manufactures in the United States has traditionally been very small, that war-time developments forced the United States to make for itself goods formerly

imported from Europe and that tariff and customs practices in the United States tend to offset the price advantages which European commodities might offer.

EASTERN EUROPE

The six countries of eastern and south-eastern Europe—Bulgaria, Czechoslovakia, Hungary, Poland, Romania and Yugoslavia—present a certain uniformity of pattern in economic and social policy and are, to some extent, confronted with similar economic problems. In all these countries, manufacturing, mining, transport, public utilities and wholesale distribution are largely nationalized; measures are also being taken to introduce co-operative or collective farming. The first series of economic plans, with the exception of that of Yugoslavia, were transitory in character and were designed to restore the economies of these countries from the damage they sustained during the war and to pave the way for the introduction of long-term plans. By 1948, the pre-war levels of production were restored in a number of countries and new plans for economic development were drawn up.

The primary aim of all the economic plans of the eastern European countries is industrialization. With the exception of Czechoslovakia, all the countries in the group suffer from surplus agricultural populations which can find an outlet only in the development of industries. At the same time, their agriculture—as measured by the comparatively low yields per hectare—is also relatively undeveloped but, as far as can be judged, the development of agriculture will lag considerably behind the development of industries.

Another common feature of the new plans is to be found in the strong emphasis placed on heavy industry. In Czechoslovakia, Hungary and Poland, which already had sizable heavy industries before the war, development is planned to proceed at a much faster rate in the heavy industries than in the light industries. Similarly, in Bulgaria and Yugoslavia, which had practically no heavy industries before the war, effort is concentrated on their development.

All the plans envisage steep increases in the rate of capital investment. In terms of dollars in 1948 prices, the average rate of gross investment in fixed capital under the new plans is expected to be some $4,000 million per annum, or approximately twice the actual rate of gross investment in 1948 in the area as a whole, and may reach $5,000 million in the final years of the plans. Since the increase in the national incomes of these countries is expected to amount to about 50 to 100 per cent, the proportion of income devoted to investment will be considerably increased.

The greatest rates of expansion are in electric power generation, steel production, engineering industries and chemicals. Electric power production at the end of the period covered by the plans is expected to be nearly four times the pre-war level in Yugoslavia, three times in Hungary, nearly three times in Czechoslovakia, eight and a half times in Bulgaria and nearly six times in Poland. Coal production, on the other hand, is planned to expand at a much lower rate, chiefly because Poland, the largest producer, does not intend to expand production beyond 90 million tons, or 28 per cent above the 1948 level. In steel, Poland plans a three-fold expansion which would bring production to 7 million tons, while Czechoslovakia, the other main producer, will raise production by only one-third, to 3½ million tons. The aggregate production of steel of the four countries is expected to be more than double, compared with 1948. The rates of expansion for textiles range between 30 per cent and 100 per cent and are lower for wool than for cotton. Czechoslovakia, the major shoe producer in the area, will increase production only moderately, while planned shoe production in Bulgaria and Yugoslavia appears low in relation to the size of the population.

The level of agricultural production was extremely low throughout eastern Europe after the war. By 1948, production improved considerably but it still remained 10 to 20 per cent below the average pre-war level. The expansion of agricultural production is envisaged at a slower rate than the development of industry. By the end of the plans, agricultural output may be one-sixth above pre-war in Czechoslovakia and Hungary, and one-third to one-half above pre-war in Bulgaria and Yugoslavia; in Poland the output of the present territory may not exceed its pre-war level.

Union of Soviet Socialist Republics

The fourth five-year plan was adopted on 18 March 1946, to come into force retroactively, as from 1 January of that year. As compared with the last pre-war year, 1940, the plan aimed at an over-all increase of industrial production for 1950, of 48 per cent, and of agricultural production, of 27 per cent. The 1940 level was to be regained for all industries in 1948; it was in fact reached in the closing months of 1947.

One of the most notable features of the industrial section of the plan was the considerable emphasis placed on the expansion of engineering output—almost all items given show planned increases of well over 100 per cent. Iron and steel production was to increase by over one-third, coal by more than a half and electric power by 70 per cent, compared with 1940. The increase in the production of consumer goods was to be about one-third above the pre-war year 1938.[1]

In the agricultural section of the plan, it was particularly noteworthy that, between 1946 and 1950, farmers were to receive 720,000 tractors (calculated in units of 15 horse-power) and 17 million tons of mineral fertilizer. Increases in the area sown for all crops and increases in the output of cereals were to be modest compared to 1940. However, a much more substantial increase was planned for industrial crops, and the main emphasis throughout was to be placed on increases in harvest yields. A number of decisions taken in March 1947 called for overfulfilment of the principal agricultural targets. The three-year plan (1949 to 1951) for the development of livestock raising in the Union of Soviet Socialist Republics, announced on 19 April 1949, provided for special measures designed to speed increases in livestock, including poultry, which by the end of the period should exceed the pre-war level by a very considerable margin. Of more long-term significance was the fifteen-year plan, drawn up in October 1948, for the protection of large areas of the Union of Soviet Socialist Republics against drought.

In 1948, the industrial production plan was overfulfilled by 6 per cent, while the plan for the first three years taken together was overfulfilled by 3 per cent. It appears that the targets for 1948 for a number of commodities were raised above those laid down in the original plan. It is also noteworthy that the plan for the first quarter of 1949 was revised upwards in the course of its execution. If the same rate of increase in production continues to be maintained, it is probable that the aggregate industrial production targets of the five-year plan will be fullfilled in four years.

[1] There was subsequently some upward revision of certain light industry targets.

Chapter 5

THE MIDDLE EAST AND AFRICA

A. THE MIDDLE EAST [1]

Post-war economic developments in the Middle East have clearly been influenced by the impact of the war, though the general economic structure of the region has remained for the most part unchanged. Shifts in the patterns of agricultural production, the most important of which was a reduction in cash crops in favour of cereals for local consumption, have persisted in the post-war period, although there has been a partial return to earlier patterns. High post-war demand for petroleum encouraged a rapid expansion of oil production, which in 1948 reached a level three and one-half times that of 1938. The output of consumer goods industries, which expanded greatly during the war, has continued considerably above former levels despite the contraction which has taken place since the war. The transport facilities of the region were also extended and improved during and after the war.

Despite an increase in the volume of savings in the war and post-war years, the volume of investment in the Middle East has remained at a relatively low level. Expanded manufacturing activity during the war was achieved largely through more intensive utilization of existing facilities. In the post-war period there was some increase in the volume of foreign investment, which was directed largely to the petroleum industry.

With the reopening of external sources of supply, most countries of the area have developed large import surpluses which reflected the pressure of pent-up demand for imported goods unsatisfied during the war. Imports have been limited, however, by the dollar shortage and the partial blocking of foreign exchange balances. There have been significant changes in the post-war direction of trade, largely as a result of the virtual disappearance of trade with Germany.

There was relatively little change in the relationship of budgetary deficits or surpluses and of investment to the national income in the post-war period. As a result, the pressure of pent-up demand resulting from the war was largely counteracted by the limited improvement which took place in the supply of imported and domestic goods. The easing of inflationary pressures since the end of the war, except in Palestine, was reflected in price declines, which were sharpest in the early post-war years following upon the withdrawal of the allied forces from most countries of the region. Progress towards economic stability, however, was retarded by poor harvests in 1947 and by the conflict in Palestine.

This conflict caused the reduction of agricultural and industrial production in Palestine and interrupted the flow of oil through the Iraq-Haifa pipe-line. Moreover, it exerted an upward pressure on prices in all the belligerent countries and made it more difficult for them to balance their budgets. Serious economic problems have also been posed by the displacement of a large part of the Arab population of Palestine. At the end of April 1949, there were several hundred thousand Arab refugees, distributed mainly in southern Palestine, northern Palestine and in the neighbouring countries of Lebanon, Syria and Transjordan. Of these, about a quarter of a million were in organized camps.

Available data indicate that in most countries of the region the increase in real national income during the war and post-war years, relative to that of pre-war, did not keep pace with the very large growth in the population of the area. The annual increase in the population during the period from 1937 to 1948 is estimated roughly at over 1.2 per cent, compared with a rate of 0.8 per cent for the world as a whole. In Turkey and Egypt, for example, the population increased from about 16 million in each country in 1937 to 19.5 million in 1948. The population of the region has also been augmented by immigration into Israel, estimated at 210,000 persons between May 1948 and April 1949.

[1] The economic situation in the following countries is discussed in this chapter: Afghanistan, Anglo-Egyptian Sudan, Egypt, Iran, Iraq, Lebanon, Palestine, Saudi Arabia, Syria, Transjordan, Turkey and Yemen. Data for Israel have not been available.

Since the end of the war, most countries in the Middle East have drawn up economic development plans and projects which, if realized, would result in a fairly substantial increase in both agricultural and industrial output. The slow growth of capital accumulation in the region, owing largely to its low *per capita* income and its economic and social structure, as well as the shortage of certain currencies, has continued to limit both the scope of plans for economic development and the execution of specific projects which have been drawn up.

Supply of Foodstuffs

PRODUCTION

Following the poor harvests of 1947, food production in the Middle East as a whole in 1948 was slightly above the pre-war average; although there was a decline in Iran and Iraq it was more than offset by increases in Egypt, Syria and, particularly, Turkey. The increase over the period is attributable almost entirely to the extension of the area planted in cereals and rice in response to increased demand for foodstuffs and the accompanying rise in prices. It was achieved both by extending the total cultivated area and in certain countries—particularly Egypt—by diverting to cereals acreage which had previously been under cotton and, to a relatively minor extent, under other crops.

For the region as a whole, total land under cultivation in 1948 is estimated at about 10 per cent above the pre-war area. A small increase was made possible in Egypt by the greater supply of water from irrigation projects completed immediately before and during the war. In Syria, the area planted in wheat, barley, maize, rye, oats, rice and cotton increased from 809,000 hectares in 1934-38 to 1,310,000 in 1948 and, in Turkey, from 6,863,000 hectares pre-war, to 7,875,000 in 1948. The area planted in the principal crops in Iraq increased from 1,552,000 hectares in 1934-38 to 1,797,000 in 1945. In the Anglo-Egyptian Sudan, Egypt, Iran and Syria, the area planted in cereals was extended in part at the expense of cotton; acreage devoted to cotton declined during the war years to less than 50 per cent that of pre-war, recovering in 1946 to 70 per cent of the pre-war level. With the subsequent relaxation of government restrictions imposed during the war, cotton acreage expanded in 1947 and 1948, particularly in Egypt, but was still below the pre-war level in the latter year.

The substantial increases which might have been expected as a result of the extension of areas under cultivation were not realized because of severe declines in yields per hectare. Yields fell sharply during the war years, owing to several factors: the almost complete cessation of imports of fertilizers, which particularly affected Egypt; changes in the pattern of crop rotation; inability to replace worn-out irrigation pumps and other agricultural equipment; shortages of man-power in a few countries, notably Turkey; and the marginal character of additional area brought under cultivation in some countries, such as Iraq and Syria. Owing to droughts and locust pests, 1947 crops in most countries of the Middle East were actually below the pre-war average; crops improved in 1948, however, as shown in table 98, as a result of favourable weather conditions and increased supplies of fertilizers.

There was a substantial expansion of rice production in Egypt during the war, partly at the expense of cotton, and also in Iraq. In 1947 the rice output of Egypt was about double the average of 609,000 metric tons produced in 1934-1938, but there was some decline in the following year. The maintenance of rice production at the higher levels has been encouraged by the trebling of wholesale prices for rice between 1939 and 1946 because of acute world shortage and dislocation of trade in surplus producing countries of Asia. Egyptian exports of rice, largely to Asia, amounted to 344,000 tons in 1948.

For the region as a whole, cash crops such as citrus fruits and cotton decreased sharply during the war. This was mainly because the output of the chief exporters—Egypt in the case of cotton and Palestine in the case of citrus crops—fell to less than one-half of that of pre-war; in Egypt this was largely as a result of the diversion of acreage to cereals or vegetables. Production of these crops increased after the war but failed to reach pre-war levels, except for tobacco, whose post-war production in Turkey and other Middle East

Table 98. Grain Production in Certain Countries of the Middle East
1934-38, 1947/48 and 1948/49
(In thousands of metric tons)

Country	*All grains* [a]			*Wheat*			*Barley and maize*		
	1934-38	*1947/48*	*1948/49*	*1934-38*	*1947/48*	*1948/49*	*1934-38*	*1947/48*	*1948/49*
Egypt	3,025	2,615	2,648	1,184	1,044	1,080	1,841	1,571	1,568
Iran	2,662 [b]	2,670 [b]	2,400 [b]	1,869	1,900	1,700	793 [b]	780	709
Iraq	1,053	931	827	478	300	327	575 [b]	631 [b]	500 [b]
Lebanon	74	79	90	35	50	50	39	29	40
Syria	781 [a]	606 [a]	845 [a]	459	404	550	312	197	290
Turkey	6,482 [a]	5,833 [a]	8,482 [a]	3,412	3,246	4,922	2,511	2,043	2,636
Total above countries	14,077	12,734	15,292	7,437	6,944	8,629	6,071	5,251	5,743
Palestine	162	184	. .	87	78	. .	75	106	. .
Transjordan	118	75	. .	81	37	96	37 [b]	38 [b c]	. .

Source: Food and Agriculture Organization, *Grain Bulletin,* Commodity Series, No. 10, January 1949.

[a] Wheat, barley, maize; totals for Syria and Turkey include oats and rye, not shown separately.

[b] Excluding maize.

[c] 1946/47.

countries considerably exceeded that of pre-war. Post-war crops of dates for the region as a whole were approximately at pre-war levels; Iraq's output remained unchanged and decreases in Egypt were offset by increases in smaller producing countries.

The output of oil-seeds declined as a result of the reduction in cotton acreage and, for the region as a whole, amounted in 1946 and 1947 to about two-thirds of pre-war output. Middle East production of olive oil, which in 1946 was about 80 per cent of the pre-war level, rose in 1947 to 175 per cent of the pre-war rate.

In most of the countries of the Middle East the number of livestock—cattle, buffaloes, sheep and goats—fell appreciably during the war years, owing largely to high slaughtering rates. After the war, livestock in most countries, notably Cyprus, Egypt, Iraq and Turkey, rose above pre-war levels. The number of pack animals—horses, mules and camels—in the region as a whole increased after the war; a marked decline in Egypt was more than offset by increases in Iraq, Syria and Turkey.

CONSUMPTION

Per capita consumption of food declined during the war years and, despite some improvement since the end of the war, did not appear in 1947 to have reached the pre-war level. The relatively small increase in total supplies was insufficient to provide for the growth in population. Daily *per capita* consumption in calories in Egypt declined from 2,450 in 1934-38 to 2,364 in 1947/48 and in Turkey, from 2,562 to 2,173. The proportion of calories derived from cereals and starches increased slightly. Available data for Iran and Iraq also indicate some decline from pre-war consumption levels.

NEW DEVELOPMENTS IN AGRICULTURE

There has been no significant change since the pre-war period in either the prevailing system of land tenure and distribution or in agricultural techniques. There are a number of current developments which could have rather considerable effects in the next few years. Work on irrigation projects, which had been curtailed or dropped during the war, has been resumed, and several new projects, some of which provide for the generation of electricity, have been initiated or planned. Afghanistan has commenced work on a project to irrigate 80,000 hectares in the Helmand and Kabul river valleys. In Egypt, the Isna barrage has been completed and work is proceeding on another dam at Idfina. The latter projects are part of a ten-year plan for bringing 10,000 additional hectares each year under basin irrigation and for extending facilities to a further 20,000 hectares. Irrigation works are also planned in the region of the equatorial lakes and Nubia. New irrigation projects in Iraq, in addition to those finished during the war, envisage the completion and extension of the Habbaniya reservoir, and the construction of dams at Bekhme on the Great Zab river and at Wadi Tharthar between the Tigris and Euphrates; these projects are intended to reclaim over 150,000 hectares by 1950. In Iran, the seven-year plan calls for a vast increase in the irrigated area. Work has begun on the Gulpaigan and the Zayandeh-rud projects, the latter extending irrigation around Isfahan.

In Lebanon, projects now under construction or nearing completion are expected to result in a further increase of about 30,000 hectares. Several small-scale irrigation works have been completed or are under way in Saudi Arabia; some of them combine experimental stations for agricultural research and training with the development of the water supply. In Syria, plans have been drawn up for the construction of a dam on the Euphrates to irrigate 300,000 hectares. Work now in progress in Turkey and developments envisaged in a seven-year programme would result in the irrigation of 130,000 additional hectares of land and the drainage of a further 20,000 hectares.

To stimulate the mechanization of its agriculture, Turkey has allotted $16.5 million for 1949 for the purchase of agricultural equipment. In Iraq, a five-year plan to mechanize agriculture is reported to have made good progress, and there has been a considerable increase in the number of tractors in Syria. In Egypt, two fertilizer factories with an output of 650,000 tons of nitrates were under construction in 1948. There has been a striking growth in agricultural co-operatives in Cyprus, Egypt, Palestine and Turkey.

Much of the expansion of food-processing industries in Egypt, Lebanon, Palestine and Syria which took place during the war has been retained despite severe post-war declines in the output of these industries. There has been an increase in grain elevators and storage space for agricultural produce, notably in Egypt, Iran and Turkey. Similarly, refrigeration installations have been extended, especially in Lebanon and Syria. These additional facilities have thus far met only a small fraction of the needs of the countries of the Middle East.

Several governments of the region, notably those of Egypt, Iran and Turkey, have carried forward measures for distributing land belonging to the government or to religious endowments among small landholders or landless peasants, and for improving the position of tenants and wage labourers. Local health and welfare centres were established in some countries of the region during the war and post-war period, including one hundred social centres founded by the Egyptian Government since 1941. Both general and agricultural education has been extended in some of the countries of the region.

Industry

PETROLEUM

An outstanding development of the post-war period has been the expansion of crude oil production in the Middle East. By 1948 output, as shown in chart 16 and table 99, was 3.6 times as large as in 1938, as a result of increased production in existing oil-fields and the discovery of new sources of supply. Data for 1948 show a sharp increase over 1947 in all oil-producing countries of the region, except Iraq; the output of the latter country was adversely affected by interruption in the flow through the pipe-line to Haifa during the Palestine conflict. The share of the Middle East in world production (excluding USSR) rose from about 6 per cent in 1938 to 13 per cent in 1948.

Table 99. Crude Oil Production in Certain Countries of the Middle East
1938, 1947 and 1948
(In thousands of metric tons)

Country [a]	*1938*	*1947*	*1948*
Total	16,077	42,334	57,732
Iran	10,356	20,519	25,270
Iraq	4,296	4,702	3,427
Bahrein	1,132	1,284	1,489
Egypt	226	1,329	1,886
Saudi Arabia	67	12,300	19,260
Kuwait	—	2,200	6,400

Source: Statistical Office of the United Nations.
[a] In order of pre-war volume of production.

Output of refined oil in the Middle East increased between 1938 and 1948 in about the same proportion as production of crude petroleum, as a result of the expansion during the war and post-war periods of the Abadan, Haifa and Bahrein refineries and the construction of the Ras Tanura and Tripoli refineries. Table 100 gives details of the output of these and other refineries.

Part of the royalties accruing to oil-producing countries of the region is being used to carry out development plans. These countries have considerably expanded their domestic consumption of oil and have consequently reduced imports of coal. Shortage of storage space and transport

Chart 16. Crude Oil Production of the Middle East, 1937-1948
(Total includes Bahrein and Egypt, not shown separately)

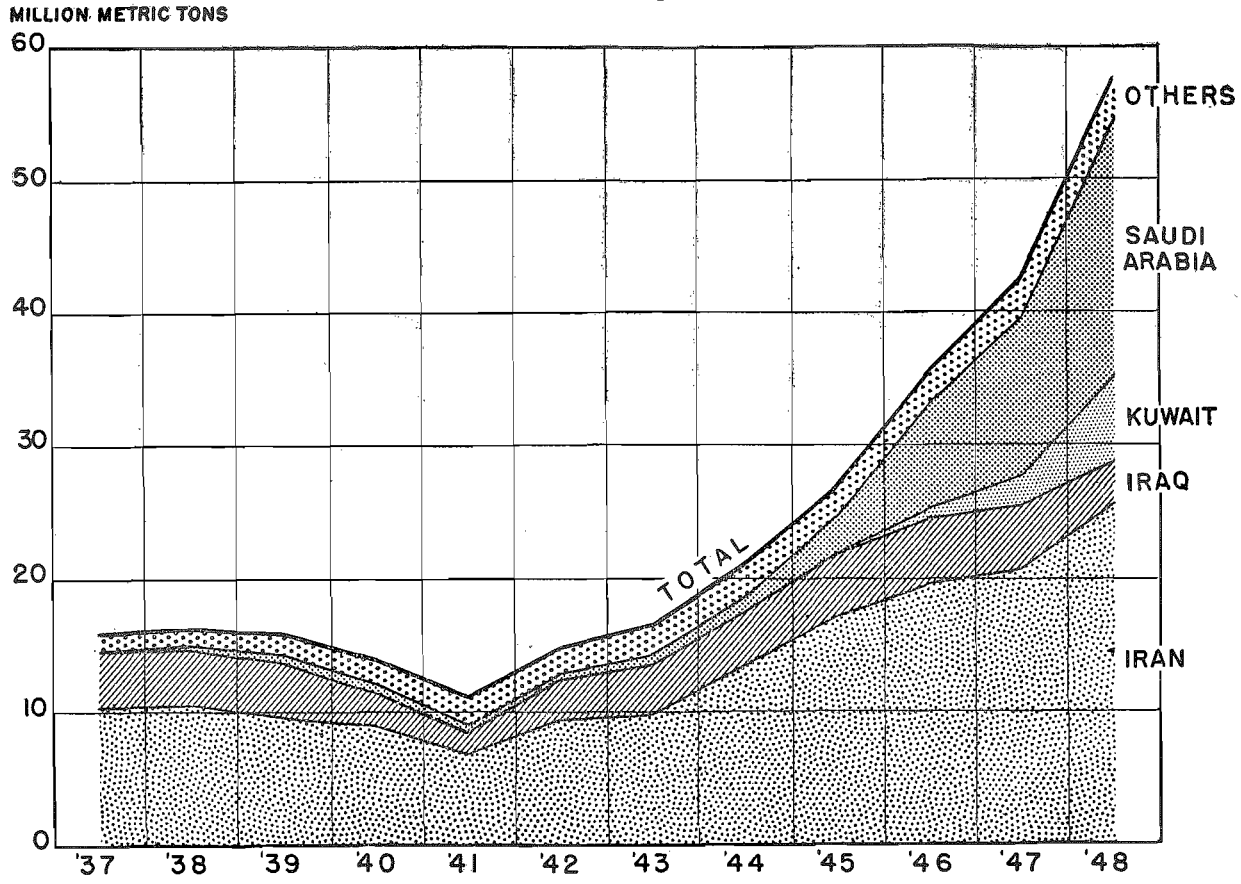


Table 100. Output of Certain Oil Refineries of the Middle East

1938, 1946 and 1947
(In thousands of metric tons)

Refinery	*1938*	*1946*	*1947*
Abadan (Iran)	9,397 [a]	17,957	18,863
Alwand (Iraq)	122	. .	. .
Bahrein	61	3,460	4,888
Haifa (Palestine)	74 [a]	4,011	3,952
Ras Tanura (Saudi Arabia)	—	3,906	5,209 [b]
Suez (Egypt)	389	1,098	1,126
Tripoli (Lebanon)	—	229	210 [c]

Source: Anglo-Iranian Oil Co., Limited; *Petroleum Press Service; World Petroleum; Petroleum Times;* Government of Iraq, *Al majmoua al ihsaia al sanawia; Statistical Abstract of Palestine;* Anglo-Egyptian Oilfields, *Annual Report;* Governments of Lebanon and Syria, *Maloumat ihsaia (Eléments statistiques).*

[a] 1939.
[b] 6,012 in 1948.
[c] 278 in 1948.

difficulties have continued to retard further expansion of production. During the war, local pipe-lines were built in Iran and during 1948 work was proceeding on pipe-lines from Iraq and Saudi Arabia to the eastern Mediterranean seaboard. Other pipe-lines to the Mediterranean, from Iran and Kuwait, were also planned for the near future.

The main change in the direction of Middle Eastern exports of oil has been the result of the emergence of the United States as an importer. In 1938 the bulk of exports went to western Europe; in 1947 about 15 per cent of Middle East exports went to the United States, less than 5 per cent to the Far East and nearly all of the remainder to western Europe. With the completion of the projected pipe-lines, it is expected that the volume of exports to Europe and the United States will be two-thirds greater in 1951 than in 1948 and two and one-half times as great in 1956.

CONSUMER GOODS INDUSTRIES

Manufacturing constitutes a small sector of the economies of Middle Eastern countries, which are predominantly agricultural and dependent for

the largest part of their national income on agriculture and the production of primary raw materials. As indicated earlier, war-time conditions stimulated the expansion of manufacturing activity in a number of Middle Eastern countries, particularly in consumer goods. This war-time expansion was achieved only in a limited degree with the aid of new plant and equipment; rather, it reflected for the most part the more intensive utilization of existing facilities. Tens of thousands of additional workers became part of the industrial labour force and acquired experience in industry.

Since the end of the war there have been severe declines in the output of many of the consumer goods industries which were expanded during the war. Notwithstanding such declines, the industrial output of the region as a whole in 1947 was still considerably above that of pre-war, particularly in Egypt, Lebanon, Palestine and Turkey. There has been little change in the relative importance of the different branches of industry—textiles and food processing retained their leading positions. According to scanty data available for 1948, it appears that the output of certain industries, notably cement and textiles, continued to expand while that of others has tended to level off. Since the end of the war there has been some modernization and expansion of existing plants and new enterprises have been established. These developments took place in the favourable conditions created by the reduction of foreign competition during the war and early post-war years, though further progress was retarded by the general shortage of capital goods.

During the war, the production of processed foods and beverages was multiplied several times in Egypt, Lebanon, Palestine, Syria and Turkey. New methods of food processing, such as dehydration, were introduced. There was a large increase in the amount and variety of meat, fish, fruits and vegetables which were canned. These industries have been among those most severely affected by a return to more normal conditions; post-war production almost everywhere showed a tendency to decline, especially in Lebanon and Syria. Sugar production, on the other hand, which suffered a setback during the war years owing to the difficulty of importing raw sugar and spare parts for refineries, was above pre-war in 1947/48. The sugar imports of the region have consequently declined. Thus between 1937 and 1947, output of refined sugar in Iran rose from 18,000 metric tons to 52,000 and in Turkey, from 52,000 to 97,000. In Egypt, output declined from 225,000 tons to 185,000 tons in 1947, but recovered to 200,000 tons in 1948.

The production of cigarettes and tobacco products has also increased: in Iran from 12,000 metric tons in 1937 to 15,000 in 1947; in Palestine from 855 to 1,221 tons; and in Turkey from 12,780 to 17,900 tons. Similar increases occurred in Egypt, and also in Lebanon and Syria, where production of these items has since declined.

The output of raw cotton in Egypt, which prior to the war amounted to about 400,000 metric tons, was only 286,000 tons in 1947, but increased to 375,000 in 1948. Egyptian cotton exports in 1948 represented about three-fourths of the total exports of that country. The Anglo-Egyptian Sudan exported the bulk of its cotton crop. In most of the other countries of the region, supplies of cotton from domestic production were generally not far from meeting the requirements of local textile industries.

There has been considerable expansion of the output of textiles in the region during the war and post-war years. Output of cotton yarn in Egypt rose from 17,500 tons in 1937 to 32,500 in 1947, and the rate was slightly higher in the first eight months of 1948. Production of cotton cloth in that country increased from 65 million square metres in 1937 to 143 million in 1947 and 155 million in 1948; an appreciable expansion has also taken place in woollen and rayon production. In Lebanon and Syria the number of cotton looms increased sixfold between 1939 and 1948, and productive capacity exceeded the requirements for domestic consumption. In Palestine, the output of cotton yarn rose from 470 tons in 1939 to 5,400 in 1947, while woollen yarn production increased from 10 to 540 metric tons. The increase of output in the weaving industry was of about the same magnitude. Turkish production of cotton yarn rose from 16,100 tons in 1937 to 28,800 in 1947 and appeared to be continuing at the latter rate during 1948; wool yarn output rose from 3,200 tons in 1937 to 6,700 tons in 1947 and to 7,900 tons in 1948.

Paper production in 1947 was three times that of pre-war in Egypt and two and a half times the

pre-war level in Turkey; there was also a large increase in Palestine. Glass-ware production has considerably increased in Egypt, Iran, Palestine and Syria. In Turkey the output of glass-ware in 1947 was 2,000 tons, as against 1,300 tons in 1937, and the same rate of production was maintained in 1948. Both Egypt and Palestine had an export surplus of certain kinds of glass-ware in 1948.

OTHER MANUFACTURING INDUSTRIES

Apart from the relatively small chemical industries in a number of Middle Eastern countries and the steel industry of Turkey, manufacturing activity in the region has continued to be limited to the production of consumer goods. Turkish production of steel ingots and castings has more than doubled since 1940, increasing steadily from 37,600 metric tons in that year to 98,600 metric tons in 1948; the rate of increase of pig-iron and ferro-alloys and of rolling-mill products has been somewhat less.

The output of chemicals in certain Middle Eastern countries, which was considerably expanded during the war, has declined with the renewal of foreign competition, but in 1947 production was still well above 1937 levels. During the war Egyptian production of sulphuric acid, soap and superphosphates increased two, three and four times, respectively. In Palestine, the number of workers employed during the war in the chemical industry increased by 150 per cent and the value of the output of the industry increased sixfold.

The output of cement, which in 1947 was generally higher than pre-war, increased still further in 1948, as shown in table 101.

Table 101. Cement Production in Certain Countries of the Middle East

1937, 1947 and 1948
(In thousands of metric tons)

Country	*1937*	*1947*	*1948*
Egypt	323.4	648.0	768.0
Lebanon	171.0 [a]	168.0	208.5
Palestine	160.8	328.4	. .
Syria	80.0 [a]	45.7	49.3
Turkey	225.6	344.3	336.1

Source: Statistical Office of the United Nations; Lebanon and Syria: *Maloumat ihsaia (Eléments statistiques)*, 1948.

[a] 1938.

MINING

Mining, which is relatively unimportant in the Middle East, except in Turkey, declined during the war owing largely to transportation difficulties. In Egypt, the production of manganese ore fell from 186,000 tons in 1937 to a negligible amount in 1945, and that of phosphates, from 517,000 tons in 1937 to 294,000 in 1946, but the output of both these commodities recovered to some extent in 1947 and 1948. Turkish output of iron ore fell from 231,000 tons in 1939 to 112,000 in 1946, recovering in 1948 to 210,000; chrome ore production dropped from 193,000 tons in 1937 to 52,000 in 1947; on the other hand, copper production expanded from 653 tons in 1937 to 10,000 in 1947 and 12,000 tons in 1948. The output of potash in Palestine, which was stimulated by war-time conditions, rose from 70,000 tons in 1939 to 103,000 in 1943 but declined to 68,000 in 1946; during the recent Palestine conflict, production at the Dead Sea potash works was completely suspended. Mining of lignite, coal, iron ores and other minerals was also stimulated, during the war, in Afghanistan, Egypt, Iran and Lebanon, but current production has been on a very restricted scale.

FUEL AND ENERGY

The post-war output of electrical energy in the Middle East has been considerably expanded above that of pre-war, as shown in table 102.

Table 102. Output of Electrical Energy in Certain Countries of the Middle East

(In millions of kilowatt-hours)

Country	*Pre-war* [a]	*Post-war* [b]
Egypt	300	600
Lebanon	38	62
Palestine	91	304
Syria	25	43
Turkey	353	628

[a] Egypt, Palestine and Turkey, 1939; Lebanon and Syria, 1940.

[b] Egypt, Palestine and Syria, 1947; Lebanon, 1946; and Turkey, 1948.

Turkish coal production in 1948, which amounted to more than 4 million tons, was nearly double that of 1937, while the output of lignite rose from 116,000 to 740,000 tons for the first nine months of 1948. As noted earlier, the coal imports of certain oil-producing countries in the

region declined as petroleum supplies available for domestic consumption increased.

PLANS FOR EXPANSION OF INDUSTRY

Industrial production has been maintained in the past two years at levels somewhat below wartime peaks as a result, in considerable measure, of government support. The import restrictions, which have been adopted mainly for the purpose of preventing the expenditure of limited supplies of scarce currencies for unessential imports, have served to protect local industries. In the early post-war years, the dislocation of foreign trade and the scarcity of hard currencies reduced the impact of foreign competition on domestic industries very considerably. At the same time, liquid assets accumulated during the war years served to maintain internal effective demand in the post-war period. There are, however, several factors which are not favourable to the export prospects of Middle Eastern industry. Although productivity has increased to some extent, it still remains low, measured by international standards, and a large part of the plant and equipment is obsolete or has deteriorated. Prices of domestically produced industrial goods have remained relatively high. It may be difficult, therefore, to maintain the present level of industrial activity in the face of intensified foreign competition, and in the absence of extensive domestic or foreign capital investment, except in oil.

Most of the countries in the Middle East have plans for expanding their industries. The most important project in Egypt is the Aswan Dam hydro-electric scheme, which is currently under construction and which when completed is expected to supply 1,500 million kilowatt-hours of electricity per annum. Part of this energy is to be used to produce about 400,000 tons of calcium nitrate fertilizer and 92,000 tons of steel from the neighbouring iron ore deposits. Other projects under construction, or recently completed, in Egypt include a steel mill with a capacity of 30,000 tons per annum, a rayon plant with a capacity of 5 million pounds of yarn and 5 million pounds of fibre and an assembly plant for motor vehicles. Under the seven-year plan in Iran the capacity of cotton spinning and weaving factories is to be expanded so as to permit an increase of 90 million metres in the output of cotton cloth, which would represent a substantial advance over current production rates. Some expansion is also planned in silk and jute. Sugar production is to be raised to 150,000 tons per annum as compared with 52,000 tons in 1947. A steel mill with a capacity of 50,000 to 100,000 tons is to be built and several chemical factories, including plants for the production of sulphuric and nitric acid and ammonium sulphate, are to be established.

In Turkey, under a five-year industrial plan initiated in 1946, pig-iron and crude steel production are to be increased by 1951 to 350,000 tons and 220,000 tons, respectively, or about 350 per cent and 225 per cent, respectively, of the output of 1948. New engineering factories are under construction and the textile, paper, cigarette and chemical industries are to be expanded. Coal production is to be increased by almost 50 per cent over 1948; this would permit some exports to Europe. A certain part of the capital imports required for Turkey's five-year plan is being provided under the European Recovery Program.

There have also been new developments in other countries of the Middle East, notably Lebanon and Syria, where relatively large factories for the production of textiles, cement, sugar, paper, glass and vegetable oils were completed or under construction in 1948. The industrialization plan of Afghanistan is designed to make the country self-sufficient in textiles, sugar, cement and leather.

Transport

Although the transport system of the Middle East was subjected to heavy strain from military traffic during the war, it has been appreciably improved and extended during the war and post-war years.

The damage to road surfaces during the war has been repaired and the total milage of surfaced roads has been increased. While the length of "first-class roads" in Egypt increased only slightly from that of pre-war, the length of "second-class roads" in 1946 was almost one and one-half times that of pre-war. In Turkey the length of all surfaced roads rose from 18,200 to 20,400 kilometres over the same period. In Lebanon, Saudi Arabia

and Syria, the relative increase was greater; the length of asphalt roads in Lebanon increased from 1,000 kilometres in 1943 to 1,600 kilometres in 1947 and in Syria, from 1,500 to 1,900 kilometres. The number of motor vehicles, which declined sharply during the war, had by 1947 at least regained—and in most countries had surpassed—the pre-war number. Commercial vehicles were two or three times as numerous as before the war, as table 103 indicates.

Table 103. Number of Motor Vehicles in Certain Countries of the Middle East
1939, 1946 and 1947
(In thousands)

Country	Passenger			Commercial		
	1939	1946	1947	1939	1946	1947
Egypt	29.5	30.9	36.0	4.2	9.5	11.1
Iraq	5.2	5.9	. .	1.9	3.5	. .
Lebanon	5.3	6.0	9.4 [a]	1.0	2.5	3.1 [a]
Palestine	5.5	5.7	. .	3.5	7.6	. .
Syria	2.8	2.3	2.9	1.3	3.4	4.5
Turkey	5.7	3.6	4.7	5.4	6.6	9.9

Source: Statistical Office of the United Nations; Syria: *Majmuat ihsaat (Recueuil de statistiques).*
[a] 1948.

The development plans of Egypt, Iran, Saudi Arabia and Turkey call for large-scale road-building and highway improvement during the coming years. In Saudi Arabia, work is proceeding under a four-year plan for Government construction of 2,000 kilometres of highways, in addition to those being built by the oil company. Turkey has initiated a nine-year plan for road construction, totalling 23,000 kilometres.

The railway systems of the Middle East have been carrying a substantially larger volume of both passenger and freight traffic in the post-war period, as shown in table 104.

Because of the strain on tracks and rolling stock during the past decade, the governments of the region have been giving priority to the restoration and improvement of present railway transport equipment. In Egypt, for example, nearly all locomotives have been converted as oilburners and plans for the electrification of certain lines have been developed.

Table 104. Passenger and Freight Rail Traffic in Certain Countries of the Middle East
1939, 1946 and 1947
(In millions)

Country	Passenger kilometres			Freight-ton kilometres		
	1939	1946	1947	1939	1946	1947
Egypt	1,356	2,260 [a]	. .	7.5 [b]	8.6 [b]	. .
Iraq	257	631	581	301	592	583
Lebanon and Syria	120	59	. .	137	148	. .
Palestine and Transjordan	588 [c]	1,702 [c]	870 [c]	118	273	224
Turkey [d]	1,285	2,420	2,409	1,384	2,165	2,410

Source: Statistical Office of the United Nations.
[a] 1945.
[b] Freight-tons carried (millions).
[c] Passengers carried (thousands).
[d] Main lines only.

A number of new railway lines were built and some existing ones were extended during the war, including, in Egypt, the Qena-Quseir (150 kilometres) and Marsa Matruh-Tobruk lines (370 kilometres); in Iran, the Khorramshahr-Ahwaz line (160 kilometres);[1] in Iraq, the Baghdad-Mosul line (380 kilometres); in Lebanon and Palestine, the Beirut-Haifa line (230 kilometres); and in Turkey, several small lines totalling 400 kilometres.

Development plans envisage considerable new construction in Iran (Tehran-Tabriz, Tehran-Meshed and Tehran-Yezd lines) and in Saudi

[1] The capacity of the Trans-Iranian railway was also greatly increased.

Arabia (Riyadh-Damman line). Turkey's fifteen-year programme provides for the construction of 2,300 kilometres of railways, mostly in the central and eastern parts of the country. It is hoped soon to link up the network of Iran, Iraq and Turkey. The Arab League has also sponsored a plan for the restoration of the Hejaz railway, linking Saudi Arabia, Transjordan and Syria, and another plan for the construction of a new railway between Iraq and Syria.

War-time damage to ports has been repaired and existing installations have been extended and improved, especially in Suez, Basra, Khorramshahr and Bandar-Shahpur. The volume of shipping entering the harbours of some Middle Eastern countries,[1] which had fallen from 51 million metric tons in 1939 to 19 million in 1943, expanded steadily after the war to surpass the pre-war level in 1946 and 1947. The following harbours were being enlarged and improved in 1948; Damman and Jedda in Saudi Arabia, and Eregli and Trabzon in Turkey. In addition, plans for the construction of new port facilities have been drawn up in many of the countries of the region. The tonnage of the Turkish merchant fleet amounted to 302,000 in 1948, about one-third above that of 1939. The Egyptian merchant fleet, which declined from 108,000 tons in 1939 to 59,000 tons in 1946 as a result of war losses, was restored to 82,000 tons by 1948 through new acquisitions.

Air transport was developed in the Middle East during the post-war period more rapidly than any other branch of transportation. Several large airports were built or improved by the military or civilian authorities during the war years, particularly in Cairo, Lydda, Beirut, Damascus, Baghdad, Dahran, Abadan, Tehran, Ankara and Istanbul. These airports have become important centres for international traffic, and the number of foreign airlines passing through the Middle East has increased significantly. Before the war, there were only five Middle Eastern airlines, but by the end of 1948 there were fourteen Middle Eastern aviation companies in the following countries: Cyprus, Egypt (two lines), Iran (three lines), Iraq, Lebanon (two lines), Palestine, Saudi Arabia, Syria, Transjordan and Turkey. According to the latest available figures, these lines covered a total of over 30,000 unduplicated route miles and had nearly 170,000 miles of flight scheduled per week.

Inflationary and Deflationary Tendencies

INFLATIONARY PRESSURES

There was considerable alleviation of war-time inflationary pressures in the Middle East following the withdrawal of allied forces from most countries of the region. Other factors in reduced inflationary pressure were the improved supply of consumer goods as a result both of dishoarding and of the resumption of large-scale imports from abroad and, in the case of Turkey, the reduction of the budget deficit. The easing of inflationary pressures was reflected in price declines in the early post-war years, which were larger than appears from price and cost of living indices.[2]

Prices and the cost of living remained relatively stable from 1944-45 until the latter part of 1947, when, owing largely to the poor harvests of that year in most of the region and to the conflict in Palestine, which affected certain countries of the area, price movements resumed their upward tendency in a number of countries.

Changes since 1946 in the indices of the cost of living, wholesale prices and money supply—as measured by currency circulation and deposits—are shown in table 105.

The most important factor in the alleviation of inflationary pressures which developed during the war in the Middle East was the elimination of the demand for goods and services by the allied forces following upon their withdrawal from most countries of the region in 1944 and 1945. Savings which had been accumulated during the war did not exert significant pressure on the limited supply of available consumer goods, since they were concentrated in a relatively small sector of the community or represented increases in business working capital. At the same time, there was some improvement in the supply of consumer goods, both from domestic sources and from imports. As noted below, the import surpluses of most countries of the area increased in 1947 and 1948.

[1] Egypt, Iran, Iraq, Lebanon, Palestine and Turkey.

[2] These indices are based on controlled prices. During the war actual market prices were often in excess of controlled prices.

Table 105. Cost of Living, Wholesale Prices, Currency and Deposits in Certain Countries of the Middle East

1946, 1947 and 1948
(1939=100)

Country	1946	1947			1948			
		First half	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
Egypt:								
Cost of living [a]	287	278	280	281	282	281	280	280
Wholesale prices	308	291	288	297	314	323	318	309
Currency	523	508	473	527	512	519	504	582
Deposits	758	751	729	746	. .	. .	. .	. .
Iran:								
Cost of living	577	574	583	607	619	647	631	665
Wholesale prices	453	471	495	502	517	518	. .	. .
Currency	686	684	668	691	689	667	675	675
Deposits	405 [b]	410	412	413	428	449	465	490
Iraq:								
Cost of living	567	549	599	709	724	713	657	598
Wholesale prices	482	484	522	596	613	601	489	498
Currency	690	659	629	605	592	585	573	593
Deposits	1,067	1,083	1,033	1,050	1,092	1,067	1,017	1,033
Lebanon and Syria:								
Cost of living	553	502	493	501	503	495	486	485
Wholesale prices [c]	889	803	782	798	792	783	758	773
Currency	685	661	671	686	729	741	800	833
Deposits	940	947	950	925	891	844	847	. .
Palestine, including Israel:								
Wholesale prices	332	331	352	359	389	446	475	499
Currency	546	529	516	. .	. .	. .	. .	. .
Deposits	654	679	674	. .	. .	. .	. .	. .
Turkey:								
Cost of living	339	342	341	340	338	342	340	350
Wholesale prices	423	428	422	438	451	478	449	470
Currency	311	324	315	311	298	304	314	330
Deposits	263	306	307	310	330	329	332	350

Source: Statistical Office of the United Nations.

Cost of living and wholesale prices: for Iraq, Baghdad; for Lebanon and Syria, Beirut; and for Turkey, Istanbul. Cost of living: for Egypt, Cairo. Wholesale prices: for Iran, Tehran.

Currency includes private and government holdings of free currency (notes and coins). Deposits represent unblocked deposits subject to cheque or withdrawal on demand, held in the central bank and in banks whose main liabilities consist of the above types of deposit.

[a] June-August 1939=100.

[b] End of December.

[c] June 1939=100.

There appears to have been relatively little change in the budget surpluses or deficits of Middle Eastern countries in relation to their national income since the end of the war, except in Turkey. In that country budget deficits declined from wartime peaks to about 10 per cent of Government expenditures, as before the war. Egypt had a surplus in its budget for 1946-47 and, it would appear, also in its budget for 1947-48, owing mainly to the fact that some public works could not be carried out. The national budgets drawn up by Iran for 1945-46 and 1946-47 were balanced in the former year and had a deficit of about 10 per cent in the latter. In Palestine there was a sizable surplus in 1945-46 and 1946-47, but in 1947-48 extraordinary expenditures occasioned by the termination of the mandate resulted in a deficit. Balanced accounts were anticipated in Iraq for 1945-46 and 1946-47.

The relationship of investment to national income does not appear to have changed significantly since the end of the war. New corporations were formed, especially in Egypt, Iran and Syria, and construction activity increased after the end of the war in some countries, such as Lebanon, Palestine and Syria. On the other hand, public works which had been planned were delayed or discontinued in most countries of the region, particularly in Egypt, Iran and Iraq.

Thus, from 1945 through most of 1947 the pressure of pent-up demand resulting from the war was largely counteracted by a limited improvement

in the supply of goods, imported and domestic, and was relatively unaffected by budgetary policies and rates of investment.

The upward trend of wholesale prices, which had already been apparent during the closing months of 1947 in several countries of the area, became more pronounced at the beginning of 1948, and reached a peak in February 1948 in Lebanon; in April in Turkey and Iraq; and in July in Egypt. The cost of living followed a similar course in most of these countries, except in Egypt and Lebanon, where it remained stationary or increased only slightly. As noted earlier, this upward trend seems to have been a result mainly of the poor 1947 harvest and, in some cases, of events in Palestine. In addition, budget deficits were anticipated for 1947-48 in several countries, such as Iran, Iraq and Turkey, and for 1948-49 in Egypt and Turkey.

A downward trend in prices appeared about the middle of 1948, however, in some countries of the region, for example, Iraq and Lebanon. In Turkey, wholesale prices continued to rise, although prices of building materials dropped appreciably. One of the main causes of the downward trend in prices in some cases seems to have been the increase in food supplies, owing to a better harvest in 1948. Food prices, which during the war years had everywhere increased more rapidly than the general price level, have also tended to fall more rapidly. There have also been further increases in the import surpluses of a number of countries, especially of Egypt, Turkey, Lebanon and Syria, as a result both of increases in imports and declines in exports. This has led several countries of the region to reintroduce control measures.

At the end of 1948 and early in 1949, cost of living index numbers advanced again in Iran, Lebanon and Turkey, but remained stable in Egypt and continued to decline in Iraq.

INVESTMENT AND SAVING

Despite an acceleration of the rate of capital accumulation during the war and post-war years, investment has remained at a low level in the Middle East. The shortage of capital reflected the low national *per capita* income in the region and the relatively small part of such income which could be directed to savings. The financial system, moreover, hampered the full mobilization and proper channelling of the limited savings available for investments. There has been a tendency for the banks to concentrate mainly on short-term lending operations, particularly on the financing of foreign trade, rather than on long-term capital loans. Long-term credit facilities for the development of national resources have been seriously inadequate. Furthermore, central banks, in the countries of the Middle East where they have been established, generally enjoyed only a very limited control over the money market.

Since 1938, savings have increased and some notable improvements have been made in the financial system. Thus the number of savings accounts in Egypt rose from 447,000 in 1938 to 670,000 in 1945 and, in Iran, from 22,000 in 1939 to 290,000 in 1946; the increase in deposits was considerably greater than in the general price level. There was also an appreciable rise in bank deposits generally, as noted earlier. The creation of new banks by the governments of several countries of the Middle East served to fill certain gaps in the financial system, especially in the field of industrial credit. New banks established in Iran included the Mortgage Bank in 1939 and the Industrial and Mining Bank in 1946; in Iraq, the Rafidain Bank was opened in 1941; in Egypt, the Industrial Bank in 1947 and the Co-operative Bank in 1948; in Turkey, the Construction and Credit Bank in 1945, the Guarantee Bank in 1946 and the Real Estate Credit Bank in 1947; and in Afghanistan, the Construction Bank in 1947.

At the same time, several countries of the region —Egypt, Iran, Iraq and Saudi Arabia—have established or plan to create central banks enjoying wide powers, or have increased the powers of existing central banks.

Government projects play an important role in the economic development plans of most countries of the area. The ability of governments to finance these plans is affected by their taxation policy. The structure of the tax system of the area generally does not provide sufficient elasticity, bearing heavily as it does on the lower income groups. Before the war, indirect taxes and customs duties held a preponderant place in the fiscal systems of most of the countries of the Middle East. Non-fiscal receipts were also important in some countries. Direct taxes, on the other hand, played a minor role, and

there was little progression in the rates levied. During the war and post-war years tax revenues increased greatly, in line with expenditures. As a result, the relative importance of non-fiscal receipts diminished.[1] The larger part of the increase in tax revenues came from indirect taxes, the yields of which responded swiftly to the rise in prices. Income taxes and taxes on excess profits have been introduced by several countries of the region since the pre-war period; they reduced the relative importance of indirect taxes in 1947 and 1948, as compared with the last pre-war year, in Egypt, Iran, Iraq, Palestine and Turkey. Budget estimates indicate that the share of direct taxes may not be maintained at the levels reached in 1947 and 1948.

Revisions and improvements in income tax policy which have been adopted or have been under consideration in Egypt and Turkey would lead to significant modifications of the fiscal systems of those countries.

Foreign investments in the region increased to some extent during the post-war years. Grants and credits were extended to a number of countries in the Middle East from the end of the war to the latter part of 1948 by the Government of the United States, as follows (in millions of United States dollars): Egypt, 18; Iran, 39; Iraq, 1; Lebanon, 5; Saudi Arabia, 29; and Turkey, 140 (including assistance under the European Recovery Program for 1948-49 under which Turkey is, in turn, to grant credits amounting to $29 million to the participating countries). Additional aid amounting to $5 million was extended by international agencies and $11 million by governments other than the United States. Substantial private investments of both United States and United Kingdom capital in the post-war period were largely devoted to the petroleum industries of some countries of the Middle East. Direct investment of United States capital in the Middle East amounted to $12 million in 1946 and $97 million in 1947.

International Trade and Finance

TRADE

Prior to the war, Palestine, Lebanon and Syria had substantial import surpluses as shown in table 106. Egypt and Turkey had export surpluses in the early 1930's and passive balances in 1938, while Iran and Iraq had trade surpluses, if imports by oil companies and exports of oil are included, and deficits if those items are excluded.

Although available data do not permit a statement of imports and exports in constant prices, there is considerable evidence that the volume of imports in the post-war years has probably been above the pre-war level in most countries of the region. In the case of Turkey, the official estimate puts the quantum of imports in 1947 and 1948 at about one-third above the 1937 level. These post-war increases in the volume of import surpluses were the result of high pent-up demand for foreign goods largely unsatisfied during the war years. Imports were stimulated by the growth of population and by the high level of internal prices; they were limited, however, by the dollar shortage and the partial blocking of the foreign exchange balances of the Middle Eastern countries. The volume of imports in 1948 appears to have increased further over that of 1947, owing to poor crops in 1947 and to the larger supplies of goods available from western Europe.

While petroleum exports of the Middle East in 1948 were more than three times as large as before the war and accounted for over one-third of the total exports of the area, the volume of exports of other commodities in the post-war years appears to have been substantially below that of 1937, except in the case of Egypt and Turkey. The quantum of exports from Turkey in 1947 and 1948 was about equal to that of 1937. Exports generally declined between 1947 and 1948, particularly from Lebanon, Syria and Iraq, owing to poor crops in the former year and to the relatively high prices of the region's exports in the more competitive international market in 1948.

The composition of the post-war imports and exports of the region has not changed substantially from that of pre-war. According to limited data available, however, there has been a tendency to decrease the volume and relative share of imports of cotton piece-goods compared with pre-war, and

[1] Oil royalties and other payments by the oil companies were from 10 to 15 per cent of total revenues in Iran and Iraq in 1947-48; in Saudi Arabia, however, they represented two-thirds of total revenues in 1947-48.

Table 106. Foreign Trade [a] of Certain Countries of the Middle East

1937, 1938, 1947 and 1948 [b]

(In millions of United States dollars)

Country and item	*1937*	*1938*	*1947*	*1948*
Egypt:				
Imports	193	188	411	661
Exports	200	152	369	592
Balance	7	—36	—42	—69
Iran [c]:				
Imports	85 [d]	92	130	133
Exports	159	150	337	447
Balance	74	58	207	314
Iraq [e]:				
Imports	47	46	159	. .
Exports	27	18	56	. .
Balance	—20	—28	—103	. .
Lebanon and Syria:				
Imports	42	40	165	. .
Exports	20	17	38	. .
Balance	—22	—23	—127	. .
Palestine [e]:				
Imports	79	52	338 [f]	. .
Exports	32	24	114 [f]	. .
Balance	—47	—28	—224	. .
Turkey:				
Imports	91	119	242	273
Exports	110	115	221	197
Balance	19	—4	—21	—76

Source: Statistical Office of the United Nations.
[a] Special trade.
[b] Calendar year.
[c] Including gold, oil company imports and oil exports.
[d] General trade only; year beginning 22 March.
[e] Excluding silver; excluding oil exports in Iraq.
[f] Estimate.

to increase the volume of imports of equipment, particularly transport equipment. Changes in this direction were even more marked between 1947 and 1948. On the export side, agricultural raw materials and petroleum have retained their predominant position. Rice exports from Egypt in 1947 and 1948 were far above pre-war. On the other hand, post-war exports of cotton, oil-seeds, dates, citrus and other fresh and dried fruits had not recovered to pre-war levels. Decreased production and increased home demand have been responsible for the decline in exports of cotton and oil-seeds. Exports of manufactured goods from Palestine in 1947 were considerably higher than in 1937.

There have been significant changes in the post-war direction of trade compared with that of pre-war, as shown in table 107. Trade with continental Europe, which formerly was the main supplier and customer of the area, has declined sharply from the pre-war level, largely as a result of the virtual disappearance of trade with Germany. The share of Benelux and France recovered to its pre-war level by 1947. The relative share of the United Kingdom in total imports of the region in 1948 was considerably larger than pre-war, particularly in Iran, Iraq and Turkey; the share of the United Kingdom in the total exports of Iraq, Lebanon and Syria and Palestine, however, has declined. The import surpluses of most of these countries with the United Kingdom were covered in part from sterling balances. The decline in trade with Europe has also been offset in part by increased trade with the United States, whose share of the region's total imports, particularly of Iran, Lebanon and Syria, has risen very substantially during the period under review.[1]

During the war there was a striking growth in intra-regional trade among countries of the Middle East. In 1947 and 1948, however, the importance of intra-regional trade was considerably less, though still, for the most part, greater than pre-war. The share of western Europe, particularly Italy, in the trade of the Middle East increased as conditions in Europe improved. There was also a substantial increase in the post-war period, as compared with pre-war, in the share of Ceylon, India and Pakistan in the trade of the region.

BALANCE OF PAYMENTS

The post-war trade deficits in most countries of the Middle East have been financed in whole or in large part, in the more important oil-producing countries of the region, from royalties and local expenditures by foreign oil companies and, in certain countries of the region, from gold and foreign exchange reserves accumulated during the war years. Iran's deficit on merchandise account, when imports of the oil companies and oil exports are excluded, was covered by royalties and local expenditures of oil companies in 1947 but not in 1948.[2] In Iraq, the deficit was partly offset by receipts from tourist and pilgrim traffic.

[1] According to United States sources, imports from the United States to Anglo-Egyptian Sudan, Egypt, Ethiopia, Iran, Iraq, Lebanon and Syria, Palestine including Israel, Turkey and the countries of the Arabian peninsula amounted to $368 million in 1947 and $397 million in 1948, as compared with $59 million in 1938; exports from these countries to the United States reached $142 million in 1947 and $174 million in 1948, compared with $35 million in 1938.

[2] Years ended 21 March.

Table 107. Geographic Distribution of Total Trade of Certain Countries of the Middle East
1937, 1947 and 1948
(Percentage of total)

	Egypt		Iran [a]		Iraq [a]		Palestine [b]		Lebanon and Syria [c]		Turkey	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Benelux and France:												
1937	14.3	12.5	3.0	4.2	10.3	8.5	11.0	6.3	14.9	20.5	9.8	3.5
1947	15.3	13.4	12.1	8.9	8.8	5.9	7.3	6.9	7.8	14.9	10.0	6.4
1948	13.5	13.7	. .	. .	. .	. .	. .	. .	16.6	17.6	8.5	8.5
United Kingdom:												
1937	32.2	21.8	8.9	7.6	27.8	29.5	54.2	15.8	6.1	11.2	7.1	6.2
1947	14.8	22.2	15.7	24.3	15.3	43.9	34.1	23.7	1.5	17.8	16.4	12.6
1948	29.3	21.0	. .	. .	. .	. .	. .	. .	2.0	17.5	14.7	24.3
Rest of Europe:												
1937	30.2	37.6	63.4	61.0	5.3	15.5	16.4	42.7	13.9	25.8	60.9	65.6
1947	30.2	19.1	18.7	21.9	13.9	8.3	10.3	18.7	8.8	10.3	29.2	29.8
1948	23.2	25.2	. .	. .	. .	. .	. .	. .	1.2	10.7	32.8	28.2
United States:												
1937	4.0	5.6	11.4	9.4	20.7	7.6	0.6	6.9	14.5	5.8	13.9	15.1
1947	6.7	11.2	19.6	24.4	4.6	8.4	2.5	10.2	6.8	26.4	23.6	33.3
1948	3.2	7.2	. .	. .	. .	. .	. .	. .	5.3	20.9	21.7	23.2
Middle East Countries [d]												
1937	4.9	6.0	5.0	0.5	16.9	8.4	14.8	18.8	46.1	14.3	4.7	4.3
1947	5.2	13.0	12.7	1.3	23.0	12.0	36.7	20.7	71.7	10.4	18.7	2.6
1948	3.1	11.1	. .	. .	. .	. .	. .	. .	72.8	12.0	18.5	3.7
Ceylon, India, and Pakistan:												
1937	5.2	3.4	3.8	11.0	6.5	7.4	0.6	2.0	—	2.7	0.7	1.9
1947	20.8	7.3	12.4	10.9	27.2	16.6	3.9	1.7	—	1.7	0.0	2.2
1948	18.5	6.5	. .	. .	. .	. .	. .	. .	—	0.7	0.1	2.5
Other countries:												
1937	9.2	13.2	4.6	6.5	12.6	23.2	2.3	7.5	4.6	19.6	2.9	3.4
1947	7.1	13.8	8.9	8.4	7.2	5.0	5.3	18.2	3.4	18.5	2.1	13.2
1948	9.2	15.4	. .	. .	. .	. .	. .	. .	2.2	20.7	3.7	9.6

Source: Official statistics.

[a] Excluding petroleum exports and for Iran, excluding duty free imports of oil companies. For Iraq, 1937, re-exports included. For Iran, annual figures for 12 months beginning 21 or 22 March of year stated. Data for 1947 for Iraq are preliminary estimates.

[b] Excluding crude petroleum and exports and imports by the military and the Navy, Army and Air Force Institute (NAAFI) for 1947, for a period of nine months only.

[c] Re-exports and oil in transit excluded; for 1948, nine months only.

[d] Including available data for the following countries: Afghanistan, Cyprus, Egypt, Eritrea, Ethiopia, Greece, Iran, Iraq, Lebanon, Palestine, Saudi Arabia, Syria, Transjordan, Turkey and Yemen.

In Egypt, the deficit on current account, which had previously been met from expenditures of the Allied forces, amounted to £E20 million in 1946 and £E30 million in 1947. Preliminary estimates of Turkey's balance of payments for 1948-49 anticipate an import surplus of $37 million and a total deficit of $70 million on current account.[1]

The Anglo-Egyptian monetary agreements of 5 January 1948 and 31 March 1949, while providing for the continued blocking of most of Egypt's sterling balances, released part of them for current transactions, of which a specified amount was convertible into dollars. Thus, for example, the 1949 agreement provides for releases which may amount to £30 million, of which £12 million is made available for current transactions and up to £18 million to raise the working balance to £45 million. A total of £5 million may be converted into dollars during 1949 and, in addition, the United Kingdom Government has undertaken to supply Egypt, against sterling, with oil products to a value of £5 million. Agreements were also concluded between the United Kingdom and Iraq on 27 June 1948 and between France and Lebanon on 24 January 1948, regarding

[1] Economic Cooperation Administration, *European Recovery Program, Turkey: Country Study* (Washington D. C., February 1949.)

Table 108. Trade of Certain Countries of the Middle East with Selected Hard Currency Countries [a]

1946, 1947 and 1948

(In millions of local currencies at current prices)

	1946	1947	1948
Egypt (Egyptian pounds):			
Imports	16.27	19.80	27.04
Exports	9.06	10.23	8.06
Balance	−7.21	−9.57	−18.98
Iran (rials):			
Imports	1.13 [b]	1.39 [c]	. .
Exports	0.53	0.52	. .
Balance	−0.60	−0.87	. .
Iran (thousand millions of rials):			
Imports	2.75	. .	. .
Exports	1.73	. .	. .
Balance	−1.02	. .	. .
Lebanon and Syria (Lebanon-Syrian pounds):			
Imports	54.50	79.19 [d]	88.76 [d]
Exports	16.41	5.00 [d]	2.63 [d]
Balance	−38.09	−74.19 [d]	−86.13 [d]
Palestine (Palestinian pounds):			
Imports	7.44 [e]	10.68 [e]	. .
Exports	5.52 [e]	1.89 [e]	. .
Balance	−1.92 [e]	−8.79 [e]	. .
Turkey (Turkish pounds):			
Imports	91.53	278.53	227.29
Exports	136.92	203.08	148.01
Balance	45.39	−75.45	−79.28

Source: Official foreign trade bulletins.

[a] Trade with the following countries: Belgium, Canada, Portugal, Switzerland and United States.

[b] Year ending March 1947.

[c] Year ending March 1948.

[d] Nine months only.

[e] Eleven months only.

blocked accounts in sterling and francs, respectively.

The relatively large import surpluses of most Middle Eastern countries in their trade with hard currency areas in the early post-war years increased further in 1947 and 1948, as shown in table 108. Payments for such import surpluses were covered in varying degrees in different countries by invisible items and by such portions of oil royalties and released sterling or franc balances as were convertible into dollars.

Changes in the gold and foreign exchange assets of a number of countries in the Middle East are shown in table 109.

Table 109. Gold and Foreign Exchange Assets of Certain Countries of the Middle East

1937, 1946, 1947 and 1948 [a]

(In millions of United States dollars)

Country	1937	1946	1947	1948
Egypt	94	1,113	1,075	1,070 [b]
Iran	34	239	246	279
Iraq	26	180	158	139
Lebanon and Syria	. .	9	12	12 [c]
Turkey	49	307	269	192

Source: International Monetary Fund, *International Financial Statistics;* holdings of official institutions.

[a] As of 31 December of specified year.

[b] November.

[c] February.

B. AFRICA [1]

Increased agricultural and mineral production indicated heightened economic activity in Africa in 1948. Production and export of a number of basic agricultural commodities increased over 1947 levels; the output of bread grains and coarse grains was the largest since the war and was above pre-war production. While before the war Africa was a net exporter of cereals, in 1948 it was a net importer. Production of rice, oils and fats, coffee, cotton and rubber was above pre-war levels. Drought conditions, however, prevailed in much of southern Africa at the end of 1948 and were responsible for a grave food situation in Nyasaland.

Production of minerals, and of fuel and power, was higher in 1948 than in 1947, but the output of gold, iron ore and manganese was below 1937 levels in the area as a whole. The Union of South Africa experienced a considerable war-time and post-war expansion and diversification of industry; elsewhere, similar developments have taken place on a small scale. The very limited industrialization of the area as a whole is reflected in the extremely low *per capita* consumption of fuel and energy.

There have been favourable developments in air, sea and commercial road transport in the post-war period. Railways and port facilities, however, were subject to heavy strain in 1948, particularly south of the Sahara. The governments concerned have taken steps towards eliminating transport obstacles.

Inflationary trends continued generally in Africa in 1947 and 1948, especially in the French territories. The most serious effects of war-time and post-war inflation have been felt in gold-producing countries.

In the post-war period Africa's share in world merchandise trade has been higher than before the war; this tendency was especially marked in the case of imports. Partial evidence suggests that in 1948 the quantum of African exports and imports rose above 1947 levels. African trade with Europe increased in 1948, and the area as a whole was, in consequence, less dependent on the United States as a source of supply. The Union of South Africa, however, was confronted with serious balance of payments difficulties following a decline in capital inflow after April 1948.

Investment and production targets for the oversea territories of European Powers were outlined in relation to their goals of viability in 1952-53.[2]

Production of Foodstuffs

As a result of the Second World War, some countries expanded their capacity for agricultural production—especially food—while others, conspicuously French North Africa, experienced a contraction. Rising money incomes, a high rate of population growth[3] and a trend towards increase in industrial and urban populations in certain areas of Africa have led to a larger retention of food for local consumption.

Estimated production of the recorded major food crops as a group was high in 1948 and above the 1947 level. For all of Africa, including Egypt, the wheat equivalent of the estimated output of wheat, rye, barley, oats, maize, rice, sugar and potatoes rose, between 1947 and 1948, from 110 per cent of the 1934-38 level to 118 per cent. However, the output of many staples consumed by the indigenous population of large parts of Africa is not regularly measured or recorded in world accounts.

The Food and Agriculture Organization reports that in 1948 the level of food consumption in Africa was "slightly improved", but that "African dietary standards remain among the lowest in the

[1] Excluding Egypt, which is dealt with in the section on the Middle East.

[2] Organisation for European Economic Co-operation, *Interim Report on the European Recovery Program: Volume II* (Paris, 30 December 1948).

[3] The population of Africa is estimated to have increased by 12 per cent between 1937 and 1947. This rate of increase exceeds that for the world as a whole, of approximately 8 per cent. The rate of increase has been especially large in French North Africa, which before the war was a major food-exporting region; it has been much lower in other parts of Africa—for example, the Belgian Congo.

world".[1] Food consumption *per capita* in French North Africa was lower in 1947/48 than in the pre-war period; *per capita* consumption in the Union of South Africa, on the other hand, improved in 1947/48 in comparison with the preceding year and, in some respects, with pre-war years.

Production and export of a number of basic food commodities increased in 1948, as compared with the preceding year. This rise was made possible, above all, by favourable weather conditions and also by increased imports of agricultural requisites. In addition, since the war Africa has received increased supplies of textiles and other consumer goods required to encourage production effort, and some territories have benefited from supplies made available under the European Recovery Program. In the European oversea territories various programmes have emphasized the production and export of products which were in short supply or which conserved or earned scarce foreign (including dollar) currencies. Broad development programmes have been initiated, although more slowly than was originally anticipated; they aim not only at increasing exports but also at developing agriculture in the interests of local consumption.

BREAD AND COARSE GRAINS[2]

In 1948, production of bread grains and coarse grains in the area as a whole was the largest since the war and exceeded pre-war levels, as shown in table 110.

In 1948 French North Africa, after a series of droughts, exceeded its pre-war level of cereal production for the first time. Favourable growing conditions prevailed in most of the area—Tunisia excepted. Production of wheat and barley reached 4.4 million metric tons, as compared with 4 million in 1934-38; however, this area of rapidly growing population has not regained its pre-war position as a large net exporter. The area as a whole exported an annual average of 620,000 tons of bread and coarse grains in 1934-38. In 1947/48, net imports amounted to approximately 359,000 tons.

Table 110. Bread and Coarse Grain Production in Africa
1934-38, 1947/48 and 1948/49
(In millions of metric tons)

Commodity	*1934-38*	*1947/48*	*1948/49*
Total	9.6	10.2	11.5
Wheat and rye	2.6	2.2	3.1
Barley, oats and maize	7.0	8.0	8.4

Source: Food and Agriculture Organization of the United Nations, *Grain Bulletin,* Commodity Series No. 10. Totals exclude Egypt.

Cereal and bean crops were especially large in the Union of South Africa in 1948. In contrast with 1947, the record crop of maize gave rise to an export surplus; this crop, together with other factors in the feed situation, also enabled large increases to be made in the output of dairy products, poultry and eggs. Pork production rose, but some meats were in short supply. Wheat production, for the first time in many years, almost sufficed to meet domestic demands. In the post-war period, the Union of South Africa has been a net importer of certain classes of grain which it was formerly able to export.[3]

As a result principally of these shifts in the position of French North Africa and the Union of South Africa, Africa is now a net importer of cereals, whereas before the war it was a net exporter.

Large quantities of maize were produced in other parts of southern and central Africa, except in Angola. However, in late 1948 a severe drought affected a large part of southern Africa; the shortage of food reached grave dimensions in Nyasaland. The Union of South Africa, which had a large carry-over of maize from the previous season, was expected to meet its requirements for 1948/49, but some territories were expected to increase their imports.

Production of wheat and barley has shown an expanding trend in other parts of Africa with suitable climate, notably in Kenya and Eritrea. Uganda, which formerly had to import cereals, has become normally self-sufficient. In 1948, the crops of wheat and maize in parts of British East

[1] Food and Agriculture Organization of the United Nations, *The State of Food and Agriculture—1948.* It is also stated that on the basis of incomplete data "the food supplies available for consumption per person . . . appear to have remained at approximately the same level in 1947/48 as in 1946/47."

[2] Comprehensive data are lacking on the production of millets, pulses and root crops, which are among the staples of a large part of the continent.

[3] In 1934-38 net exports of coarse grains (principally maize) averaged 331,000 metric tons. In 1945/46, 211,000 tons were imported and in 1946/47, 395,000 tons.

Africa were well below expectations and there were some local shortages of cereals. In January 1949, however, the current crops of wheat and maize in Kenya were reported above normal.[1]

Ethiopia during the year ending 10 September 1948 exported 1.48 million quintals of cereals and pulses as against 1.2 million in 1946/47 and 676,000 in 1945/46.

RICE

With the curtailment of imports of rice from customary sources during and since the war, rice production expanded considerably, from 1.4 million metric tons in 1934-38, to an estimated 1.9 million in 1946/47, over 2.04 million in 1947/48 and 2.05 million in 1948/49.[2] The increase, amounting to about 650,000 metric tons, was larger than pre-war net imports of 376,000 metric tons into the principal consuming countries. The greatest increases have taken place in French West Africa, the Belgian Congo and Sierra Leone; Madagascar and British East Africa have also expanded their production by appreciable amounts. There are large schemes under way to stimulate additional production of rice in several territories.

Before the war Africa was a net deficit area, principally because of large net imports of rice into the French territories, which accounted for about 40 per cent of total imports. These territories have continued, since the war, to be the largest net importers, though at a much reduced level.

OILS AND FATS

For Africa as a whole, the Food and Agriculture Organization estimates the 1948/49 production of fats and oils,[3] in terms of oil equivalent, at 2.11 million metric tons, a slight improvement over the 1934-38 average of 2.06 million metric tons. In 1947/48 the output was 1.98 million metric tons.

Reports on African production of ground-nuts in 1948 indicate a bumper crop of 1.9 million short tons,[4] which represents a considerable increase over the two preceding years and a rise of about 15 per cent above the average annual output of 1935-39. Expansion in production occurred chiefly in French West Africa and Nigeria, and Cameroons under British administration—the major African ground-nut producers. French West Africa has not equalled its average pre-war production, but Nigerian output rose from 355,000 short tons in 1935-39 to 616,000 in 1948. The Union of South Africa raised its ground-nut production in 1948 to 70,000 short tons as compared with 31,000 in 1947 and 12,000 before the war. In 1948, the British ground-nut project in East Africa showed slower progress than had been expected.

Production and exports of palm kernels and palm-oil recovered substantially during 1947 and 1948. In 1948, African exports of palm-oil were over three-quarters, and of palm kernels well over 90 per cent, of total world exports of these commodities—an improvement in the relative position of Africa compared with pre-war years.

The Belgian Congo's production and exports of palm kernels and palm-oil have expanded steadily and in 1948 were considerably above pre-war levels. In 1948, exports from the British West African territories exceeded the 1935-39 average, continuing the recovery in process during 1946 and 1947. Shipments from the French West African territories, though higher in 1948 than in the preceding year, remained much lower than pre-war levels. The Portuguese territories, which are comparatively small producers, also expanded their output of palm-oil and kernels as compared with pre-war levels.

There has been a significant trend towards expansion of industries processing oleaginous products for export, and some growth of industries manufacturing soap and other products for domestic consumption.

Olive oil production in French North Africa during 1948 showed varying trends. In Tunisia, output improved, though the production level still remained at about one-half of pre-war. Output in both Algeria and Morocco fell below the previous year's production, which was considerably lower than the pre-war output of olive oil.

Other vegetable oil-seeds which are becoming of greater importance in African production include sunflower, sesame and soy-beans.

[1] Barclays Bank (Dominion, Colonial and Overseas), *Overseas Review*, January 1949.

[2] Figures based on Food and Agriculture Organization, *Rice Bulletin*, Commodity Series No. 11.

[3] Butter, oil-seeds and other visible fats and oils.

[4] United States Department of Agriculture, *Foreign Crops and Markets*, 29 November 1948.

SUGAR

Sugar production in Africa was higher in 1947/48, and lower in 1946/47, than in 1938/39. African output in 1947/48 of 1.2 million metric tons was less than 5 per cent of world production.[1]

Between 1938/39 and 1947/48, consumption of sugar in Africa rose more sharply than production, especially in the producing countries. Consequently, net exports have remained below the 1938/39 level, although exports from Mauritius rose from 315,000 metric tons in 1938/39 to an estimated 340,000 in 1947/48. The Union of South Africa, which before the war was a large exporter, has in recent years retained almost all of its output. Net imports by the entire group of deficit African countries, though higher in 1947/48 than in 1946/47, have also remained below pre-war levels, principally because of considerably reduced imports by French North Africa.

BEVERAGES

Africa normally produces about two-thirds of the world's cocoa supply. Before the war, about three-fifths of the African total came from the Gold Coast and Togoland (British administration), and almost four-fifths from British West Africa as a whole. African production, which was affected by marketing difficulties, especially during the early part of the war, and also by disease[2] and by reduced war-time planting, has not yet returned to pre-war levels, as table 111 shows.

Table 111. Cocoa Production in Africa
1935-39, 1947/48 [a] and 1948/49 [a]
(In millions of pounds)

Area	*1935-39* [b]	*1947/48*	*1948/49* [c]
World	1,578.9	1,351.5	1,413.2
Africa	1,085.9	883.9	942.9
Gold Coast and Togoland (British administration)	609.4	475.0	500.0
Nigeria and Cameroons (British administration)	216.3	170.0	200.0
Ivory Coast and Dahomey	109.9	75.0	80.0
French Equatorial Africa and Cameroons (French administration)	60.2	97.0	100.0
Spanish Guinea	25.0	37.0	35.0
São Tomé and Principe	22.5	18.0	16.0
Belgian Congo	2.8	3.5	3.6
Others [d]	8.7	8.4	8.3

Source: United States Department of Agriculture, *Foreign Crops and Markets.*
[a] Year ended 30 September for most countries.
[b] Based on export data.
[c] Preliminary.
[d] Including Sierra Leone, Togoland (French administration), Madagascar and Angola.

[1] International Sugar Council, *Pocket Year Book 1948* (London).

African production of coffee expanded during the war. In 1947/48, 3.8 million bags, or 9.6 per cent of the estimated world total, were produced, as against an annual average of 2.6 million, or 6 per cent of world production during 1936-40, as shown in table 112.

Production of tea has expanded considerably in some areas. The output of wine is lower for Africa as a whole because of lower than pre-war levels of production in Algeria.

Table 112. Coffee Production in Africa
1936-40, 1946/47 and 1947/48
(In thousands of bags)

Country	*1936-40*	*1946/47*	*1947/48* [a]
Total	2,602	4,230	3,784
Angola	300	883	776
Belgian Congo	320	520	550
British East Africa	785	785	813
Ethiopia	345	335	420
French West Africa	250	934	660
Madagascar	537	500	285
Others [b]	65	273	280

Source: United States Department of Agriculture, *Foreign Crops and Markets,* 15 November 1948.
[a] Preliminary.
[b] Includes Cameroons (French administration), French Equatorial Africa, São Tomé and Principe, British West Africa and Spanish Africa.

CITRUS FRUIT

African production of citrus fruits amounted in 1948 to less than 3 per cent of reported world production.[3] According to preliminary statistics for 1948, production has expanded considerably since 1935-39, rising from 9,800 boxes to 16,600. In 1947 the output had been 13,700 boxes. Since the pre-war period, expansion of output has occurred in the two main producing areas, French North Africa and the Union of South Africa.

[2] In the Gold Coast, diseased trees are being eliminated and replanting is being done.

[3] United States Department of Agriculture, *Foreign Crops and Markets,* 21 February 1949. Figures include Egypt.

Quantitatively less important increases have occurred in Southern Rhodesia and British East Africa.

LIVESTOCK AND POULTRY

The number of cattle in Africa as a whole increased from 64.1 million in 1939 to 83.8 million in 1948, while the number of sheep declined from 101.9 million to 93.5 million. The largest declines in the number of sheep occurred in the Union of South Africa and French North Africa; in both areas a series of droughts was largely responsible. The number of hogs rose from 3.4 million to 3.6 million between 1939 and 1948.

A significant new scheme designed to make Gambia an exporter of poultry products has been inaugurated.

During 1948 the United Kingdom Government announced that a new drug, antrycide, had proven effective in preliminary tests against trypanosomiasis transmitted by the tsetse fly; despite past progress in the reclamation of areas infested by the tsetse fly and treatment of the diseases caused by it, millions of square miles of Africa are practically closed to men and cattle. The campaign against rinderpest in Ethiopia was intensified during the year.

OTHER MAJOR AGRICULTURAL PRODUCTS

Tobacco

African production of tobacco expanded from 125 million pounds, the average in 1935-39, to 185 million in 1946/47 and 203 million in 1947/48.[1] The largest increase occurred in Southern Rhodesia, where tobacco has become the leading export commodity. Large increases are recorded also for the Union of South Africa, Nyasaland and Northern Rhodesia. In 1947/48 production in French North Africa of 35 million pounds was below the pre-war average of 39.9 million pounds and production in Madagascar also fell off.

Production in Southern Rhodesia, Nyasaland and Northern Rhodesia combined, which had amounted to 40 million pounds in 1938/39, increased to 113 million in 1947/48. Between 1938 and 1948 exports from the same British territories rose from 37 million to 96 million pounds. The severe drought in the southern part of Africa in late 1948 and early 1949 has adversely affected the current crop.

Fibres

In 1947/48, production of fibres in all Africa, including Egypt, amounted to 88 per cent of the 1934-38 average as against 86 per cent in 1946/47.[2] The situation in the area, excluding Egypt, is seen in the data on cotton, sisal and wool production, which follow.

Cotton production in African countries other than Egypt accounted in 1948 for less than 4 per cent of world production, but the crop is very important to the economies of several territories, particularly the Anglo-Egyptian Sudan, Uganda—and British East Africa generally—Mozambique, the Belgian Congo and French Equatorial Africa. For the area as a whole, production in 1947/48 is estimated at slightly above the average of 1935-39, notwithstanding low production in the Anglo-Egyptian Sudan and British East Africa. Table 113 shows trends in a number of territories.

Table 113. Cotton Production in Africa
1934-38, 1946 and 1947
(In thousands of metric tons)

Country	*1935-39*	*1946/47*	*1947/48* [a]
Africa, excluding Egypt....	191.5	200.2	200.0
Anglo-Egyptian Sudan....	53.1	47.7	46.2
Belgian Congo	33.2	39.0	39.9
French Equatorial Africa	7.4	16.5	24.9
Mozambique	6.3	20.6	20.6
Nigeria	8.0	16.3	16.3
Uganda, Tanganyika and Kenya	71.6	49.1	37.5
Other	11.9	11.0	14.6

Source: Food and Agriculture Organization of the United Nations, *World Fibers Review 1948,* Commodity Series No. 9.
[a] Preliminary.

Between 1938/39 and 1947/48, consumption for the area increased threefold, but remained a minor quantity, totalling 100,000 bales of 478 pounds net.[3] This increase, recorded only for the

[1] Figures from United States Department of Agriculture, Office of Foreign Crops and Markets; Commonwealth Economic Committee, *Tobacco Intelligence,* Vol. I, No. 1, February 1949.

[2] Food and Agriculture Organization of the United Nations, *World Fibers Review 1948,* Commodity Series No. 9, September 1948.

[3] International Cotton Advisory Committee, *Cotton: Quarterly Statistical Bulletin,* March 1949.

Belgian Congo, the Union of South Africa and Nigeria, is attributable to the growth of local textile industries.

The irrigated area to be devoted to cotton is to be enlarged in the Anglo-Egyptian Sudan; in other parts of Africa, also, there are schemes which envisage an increase in the production of cotton.

African production of sisal was stimulated with the cessation of supplies of manila hemp and sisal from Asia during the war. Production reached a peak in British East Africa in 1945 and has since been well maintained. Table 114 gives pre-war and post-war data on sisal production.

Table 114. Sisal Production in Certain Areas of Africa
1934-38, 1946 and 1947
(In thousands of metric tons)

Country	1934-38	1946 [a]	1947 [a]
World	243	192	205
British East Africa	120	136	136
Portuguese territories	26	30	29

Source: Food and Agriculture Organization, *World Fibers Review 1948.*
[a] Preliminary.

Wool is produced chiefly in the Union of South Africa — together with South West Africa — and French North Africa. Production has fallen appreciably below pre-war levels, as shown in table 115, because of a decline in the number of sheep, following droughts in both areas, shortages of stock feed and, in southern Africa, a shift from woolled sheep to mutton sheep and karakul sheep. Exports from the Union of South Africa, which had been severely curtailed in 1943 and 1944, were quite high in 1946/47; in 1947/48 they are estimated to have been at almost the 1935-39 level.

Table 115. Wool Production in Certain Areas of Africa
1935-39, 1946/47 and 1947/48
(In thousands of metric tons, greasy basis)

Country	1935-39	1946/47	1947/48 [a]
Union of South Africa [b]	108.2	95.3	94.3
French North Africa	31.2	28.0	25.5
Total, above areas [c]	139.4	123.3	119.8

Source: Food and Agriculture Organization, *World Fibers Review, 1948.*
[a] Preliminary.
[b] Together with South-West Africa.
[c] Other countries, excluding Egypt, produced 3,100 metric tons in 1935-39.

Rubber

African production of natural rubber amounted to 12,000 long tons, or 1.3 per cent of world output, in 1938; in 1948 it is estimated at 42,000 long tons, or 2.7 per cent of world output.[1] Production was especially encouraged after 1941, when supplies from Asian sources declined; the peak of 53,600 long tons was reached in 1945. African output fell subsequently to 38,500 long tons in 1947.

A major change in the relative importance of producing countries has resulted from the sharp and steady rise in Liberian production, which increased from less than 3,000 long tons in 1938 to 24,600 in 1948. The share of Liberia in African production rose from less than one-fourth in 1938 to nearly three-fifths in 1948.

Consumption in the Union of South Africa, which had been 5,500 long tons in 1938, was estimated at 15,000 in 1948.

Timber and forest products

While the production of timber and associated forest products has long been retarded in Africa, some areas have increased their production and consumption as compared with the pre-war period. The Gold Coast, which exported about 700,000 cubic feet in 1938, increased its exports to more than 5.5 million cubic feet in 1947.[2] Exports from the French West African territories have not recovered to pre-war levels (357,000 metric tons in 1938); but they have shown a progressive rise: from 81,000 metric tons in 1945 to 192,000 in 1946, 225,000 in 1947 and 223,000 in the first eight months of 1948. Moreover, a larger proportion of these exports have been more highly processed.

In several West African territories, sawmills and wood chemical plants, representing an appreciable new investment of capital, have been, or are being, installed. Large development programmes are projected in French West African dependencies and other west coast areas. Most of the continent, however, continues to be a deficit area with respect to timber products.

[1] Including latex; figures from secretariat of the Rubber Study Group, *Rubber Statistical Bulletin,* February 1949.

[2] British Colonial Office, *Annual Report on the Gold Coast for the Year 1947* (London, 1948).

Industry

FUEL AND POWER

African production of fuel and power, which had risen substantially during the war years, to reach 149 per cent of the pre-war level in 1947, rose another 7 points during 1948 to a record peak for the continent (excluding Egypt). This increase was almost entirely attributable to the development of coal production in South Africa. The output of coal increased elsewhere, especially in Southern Rhodesia, but the production of oil and gas remained negligible throughout the period; production of hydro-electric power, although nearly doubling in the period from 1937 to 1948, still totalled less than 1,000 million kilowatt-hours in the latter year.

In spite of these increases in production, Africa in general was still making very little use of fuel and power in 1948. In that year its consumption represented only 1½ per cent of the world total, and the rate of energy consumption *per capita* was only a thirty-fifth of that of the United States and one-half of the *per capita* rate of Latin America. In addition, in spite of the increased production of fuel and power, Africa remained dependent on outside sources for one-sixth of its energy supply in 1948. It was almost completely dependent on non-African sources for oil.

Coal output rose considerably during the war years in the principal producing areas of Africa. Production in South Africa, which had totalled only 15½ million metric tons in 1937, rose to 23 million metric tons in 1947 and by another half million tons in 1948. In Southern Rhodesia, production rose even more proportionately, but in absolute terms the increase over the entire period, 1937 to 1948, totalled less than 700,000 tons. There was a sharp decline in coal exports from Africa during 1948. South African exports, which had risen from 0.8 million tons in 1937 to 2.3 million tons in 1947, declined 13 per cent in 1948. Net imports of the whole of the area, of about 2.5 million tons in 1937, fell to roughly half a million tons in 1947 and still further in 1948.

Negligible quantities of oil are produced in Africa, excluding Egypt. Petroleum production in French Morocco, which amounted to about 2,000 metric tons before the war, totalled 12,000 metric tons in 1948. In the Union of South Africa, there was some development of torbanite shales as a source of oil, but in 1946 oil obtained from this source totalled only 161,000 barrels, though a considerable increase had been achieved over the 18,000 barrels produced in 1937. In relation to African oil requirements, which totalled more than 5 million tons, the combined output of oil from these sources was insignificant. There was no development of petroleum refining facilities in Africa (except Egypt) either before or after the war. As a result, practically all the continent's oil requirements were met by the importation of refined oils.

Electricity production in Africa (excluding Egypt), which had risen by 82 per cent between 1937 and 1947, rose another 14 per cent above the pre-war level in 1948 to reach a total of more than 12,000 million kilowatt-hours. Roughly three-fourths of this power was generated in the Union of South Africa, where production approximately doubled in the period from 1937 to 1948. In spite of the continent's increase in production, however, Africa's output in 1948 represented less than 2 per cent of the world supply of electricity. Output *per capita* in 1948 totalled considerably less than 100 kilowatt-hours per annum, as compared with a world average of, roughly, 350 kilowatt-hours *per capita* and an average in North America of well over 2,000 kilowatt-hours *per capita*.

In Uganda, the Rhodesias, the Belgian Congo, parts of West Africa and elsewhere, hydro-electric schemes were under consideration or in progress in 1948. Increased production of coal in French North Africa, Southern Rhodesia, Madagascar and elsewhere was also envisaged.

MINERAL AND METAL PRODUCTION

Mineral production in Africa during 1948 was higher, in general, than in 1947 and somewhat above pre-war levels, as shown in table 116. The rises in output, however, were not uniform, for increases in some areas were partly offset by decreases in other areas, and the output of three of the more important minerals—gold, iron ore and manganese ore—was below 1937 production. On balance, Africa has maintained or increased its relative importance as a producer of a number of the world's key minerals.

Production of basic non-ferrous minerals, par-

Table 116. Mining Production in Africa
1937, 1947 and 1948

Item	1937	1947	1948 [a]	1947	1948 [a]
	(In thousands of metric tons)			(Percentage of 1937)	
Copper ore [b]	424	399	430	94	101
Lead ore [b]	54	66	98	122	181
Zinc ore [b]	42	60	80	143	190
Tin concentrates [b]	22	26	25	118	114
Iron ore [b]	3,113	2,769	3,035	89	97
Manganese ore [b]	597	503	574	84	96
Chrome ore [c]	211	259	400	123	142
Antimony [b]	1.4	4.0	6.0	286	429
Gold [d]	13,980.3	12,766.9	13,320.0	91	95
Phosphate rock	3,908	5,412	. .	138	. .
Diamonds [e]	9,336	9,298	. .	99	. .
Copper metal	373	380	403	102	108
Lead metal	27	27	36	100	133
Zinc metal	14	21	22	150	157
Tin metal	2.3	4.2	4.5	183	196
Pig-iron (South Africa)	276	636	. .	230	. .

Source: Official and other statistics. Figures exclude Egypt.
[a] Partially estimated.
[b] Metal content.
[c] Cr_2O_3 content.
[d] In thousands of fine ounces.
[e] In thousands of metric carats.

ticularly lead and zinc, increased in the post-war period. The output of lead ore rose from 42,000 metric tons in 1937 to 98,000 in 1948 and zinc ore production rose from 42,000 metric tons to 80,000 in the same period. French North Africa, the leading producer of lead ore in Africa, nearly doubled pre-war output in 1948. Africa's output of copper ore increased somewhat in 1948 over 1937, chiefly because of production gains in the Belgian Congo and in the Union of South Africa. Northern Rhodesia, however, still lagged behind pre-war levels, but electrolytic copper has been a significant part of its post-war production. Tin production showed different trends in the major producing areas: the Belgian Congo raised its output from 9,100 metric tons in 1937 to 14,300 in 1948 while Nigeria's tin output declined from 11,000 metric tons in 1937 to 9,300 in 1948. Production of both tin and copper in 1948 was well below the war-time peaks reached in Africa.

Although the output of cobalt declined considerably in Northern Rhodesia and French Morocco, total African production rose from 3,400 metric tons in 1939 to 4,300 in 1947, as a result of the tripling of output in the third most important African producing area—the Belgian Congo. The production of chromite in Africa is practically limited to Southern Rhodesia, the Union of South Africa and Sierra Leone. In the pre-war period, Southern Rhodesia was the leading producer, but since the end of the war its output has lagged far behind, chiefly as a consequence of transport bottle-necks. Meanwhile, the Union of South Africa raised production, from 76,000 metric tons in 1937 to 176,000 in 1948, and increasingly processed the ore at home—21 per cent of total production in 1947 and 40 per cent in the first six months of 1948.

There have been some increases in mineral production which were relatively insignificant in total world supplies but none the less important to local African economies. Among these increases are those in bauxite in the Gold Coast and Madagascar, antimony ore in French North Africa, Spanish Morocco and Southern Rhodesia and tungsten ore in the Belgian Congo and Uganda.

Southern Rhodesia supplies about 75 per cent of world needs of high-grade asbestos; output was raised from 42,000 long tons in 1938 to 67,000 in 1948. The Union of South Africa also increased the production of asbestos, from 20,100 tons in 1946 to 41,700 in 1947.

Diamond production in Africa has shown varying trends since the pre-war period. Output was expanded in the Belgian Congo and in Angola, by 11 per cent and 28 per cent, respectively, in 1947 over 1937. The Union of South Africa, second to the Belgian Congo in diamond production, has since the war produced at about the pre-war annual rate of approximately 1.25 million metric

carats. A post-war decline in diamond output in the Gold Coast, Sierra Leone and South-West Africa was offset by large increases in French Equatorial Africa and Tanganyika; in French Equatorial Africa production rose from 17,500 metric carats in 1938 to 95,000 in 1947 and in Tanganyika output rose from 3,600 carats in 1938 to 92,200 in 1947.

The production of gold rose in 1948, as shown in table 117, but still remained substantially below the pre-war level, when it represented, by value, about two-thirds of the entire mineral output of Africa. Post-war output was significantly less than pre-war in the four leading gold-producing territories—the Union of South Africa, Southern Rhodesia, the Belgian Congo and the Gold Coast. Since 1941, when production reached its peak, the trend has been generally downward for the area as a whole. Low production for the Union of South Africa in 1947 was attributable to labour difficulties.

Table 117. Gold Production in Africa
1937, 1947 and 1948
(Value in millions of United States dollars)[a]

Country	1937	1947	1948
Total	489.31	446.84	466.20 [b]
Belgian Congo and Ruanda-Urundi	15.14	10.55	11.06
Gold Coast	19.57	17.68	23.45
Kenya	1.92	.77	. .
Southern Rhodesia	28.15	18.30	. .
Tanganyika	2.64	1.66	. .
Union of South Africa	410.71	392.01	405.45
Other areas	11.19	5.87	. .

Source: International Monetary Fund, *International Financial Statistics.* April 1949.

[a] At $35 per ounce.

[b] Preliminary estimate.

The processing of metals in the ore-producing territories continued to develop only slightly. By far the greater part of the mineral output of Africa, as before the war, has been exported for processing elsewhere. However, there were some noteworthy exceptions, specifically the Union of South Africa, which more than doubled its output of pig-iron and steel, and Northern Rhodesia, which nearly doubled its output of zinc metal and greatly increased its production of smelter lead. In contrast with the slow development of mineral processing industries in Africa, there has been a substantial acceleration in the exploration of Africa's mineral deposits.

EXPANSION OF SECONDARY INDUSTRIES

As compared with the pre-war period, secondary industry has expanded and become more diversified in various parts of Africa, principally in the Union of South Africa and, to a minor extent in French North Africa, the Belgian Congo, Southern Rhodesia and some other areas, although there may have been some losses in Ethiopia. For example, in the Belgian Congo the output of cement more than doubled between 1939 and 1946 and that of textile products nearly doubled; the production of soap increased from under 500 metric tons to 21,000 tons; there was a high rate of expansion of food industries, both for internal consumption and for export, and of chemical industries; the boat construction industry grew and various ancillary industries were developed.

In respect of scale and scope, however, the principal developments have taken place in the Union of South Africa where, between 1939 and 1947, the volume of production of secondary industry rose by 40 per cent.[1] During the war the iron and steel, engineering and food industries expanded rapidly, and most of this expansion was effected by domestic capital. External capital has played a very prominent role in the post-war industrialization movement. Between 1938 and 1947 employment in non-durable goods industries increased by 63 per cent, whereas that in durable goods industries increased by 52 per cent. In 1948, however, the durable goods industries experienced a greater expansion of employment than the non-durable goods industries. Manufacturing contributed nearly 23 per cent of net national income in 1947-48 as compared with 16 per cent for agriculture, forestry and fishing and 11.4 per cent for mining.[2]

Despite this growth, Africa as a whole remains highly dependent on imports of consumer and other manufactured goods. Its generally low level of industrial development is reflected in the information given above on fuel and power.

[1] The Standard Bank of South Africa, "National Income and Production Indices 1939 to 1947", *Standard Bank Monthly Review,* February 1949.

[2] Union of South Africa Government Information Office (New York), *South Africa Reports,* 12 May 1949.

Transport

Transport difficulties in 1948, as in 1947, limited the utilization of productive capacity in some areas and impeded the expansion of commerce. Congestion at ports, railways and in the production centres, especially at certain key points south of the Sahara, was a chronic problem. By the end of the year the railways of Africa had not overtaken the arrears of maintenance and renewal. The capacity and facilities of a number of important ports were inadequate to service the increased volume of traffic. On the other hand, maritime shipping space has been increasingly available in the post-war period, and some new services, including direct connexions between some areas and the United States, came into being. Further, conditions in respect of commercial road traffic improved, with larger imports of vehicles, parts and fuel, but information is not available to assess the progress made in the construction and repair of roads in the vast intermediate section of Africa where the road system is wholly inadequate. Air transport has shown the greatest rate of expansion, both during and since the war.

Further investment on an appreciable scale, when measured in terms of the previous experience of many African territories and countries, is envisaged for railway and port improvements, road construction and the establishment of aerodromes.

A great strain was placed on African transport facilities during 1947 and 1948. Railway freight traffic, as shown in table 118, was substantially higher than pre-war levels, and the percentage increase in passenger traffic for the same period was much greater in a number of cases. There are about 38,600 miles of railway in the nearly 11 million square miles of continental Africa, excluding Egypt; adjacent islands in the Indian Ocean have a little over 700 miles.[1]

Very little new railway construction took place during the war, and in parts of North Africa there was considerable destruction of railways, stations and bridges. In other areas, while the capacity of the railway system remained fairly stable between 1940 and 1945, there was little replacement of equipment despite a heavily augmented volume of freight and passenger traffic.

[1] *Universal Directory of Railway Officials and Railway Year Book,* 1948-49 (London, 1948).

Table 118. Railway Freight Traffic of Certain Systems in Africa
1938, 1947 and 1948
(In millions of net ton-kilometres)

Country	1938	1947 (Percentage of 1938)	1948 [a] (Percentage of 1938)
French territories:			
Algeria	929	120	131
Morocco [b]	310	319	347
Tunisia	770	102	112
French West Africa	282	85	122
Togoland (French administration)	7	187	192
Cameroons (French administration)	39	115	133
French Equatorial Africa	34	165	212
Madagascar	57	103	144
Réunion	9	86	69
French Somaliland	53	200	225
Belgian Congo [c]	730	170 [d]	. .
British territories:			
Gold Coast [c e]	831 [f]	197	. .
Nigeria [e]	1,201 [f]	145	. .
Kenya and Uganda	1,800 [f]	151	164
Tanganyika	372 [f]	135 [d]	. .
Northern and Southern Rhodesia [g h]	2,252	126	129
Anglo-Egyptian Sudan [i]	764 [f]	142	. .
Union of South Africa [g]	9,442	158	168

Source: Statistical Office of the United Nations.
[a] Based on less than the full year in most cases.
[b] Base year 1937.
[c] Base year 1939.
[d] 1946.
[e] All figures for financial year ending 31 March.
[f] Tons carried.
[g] Including service traffic.
[h] Excluding livestock.
[i] Rail and steamer services.

Nearly all of Tunisia's war-damaged railways and stations were in good repair by the end of 1948; they were aided by imports of locomotives, railway cars, rails and other equipment.

Major improvements in the road and rail systems of the British territories in East and Central Africa were being studied or were actually under way in 1948. The report, *The British Colonies in 1948,*[2] states that:

"The most important road and rail developments have been in Africa, where work is proceeding on improving the great East African Trunk Road which links the Northern Rhodesia system in the south with the Tanganyika, Kenya and Uganda systems, and thence through the Sudan in the North. . . .

[2] Reference Division, Central Office of Information, *Supplement to Commonwealth Survey.* (London, 24 December 1948).

"Railway construction planned or under consideration for East Central Africa included some 1,250 miles between Broken Hill (Northern Rhodesia) and Nairobi (Kenya), and some 1,000 miles between Broken Hill and Korogwe (Tanganyika). In Tanganyika . . . lines under construction or recently completed include a new branch line of 135 miles to the Mpanda lead mines, a short branch line of 16 miles from Msagali to Kongwa, the centre of this year's groundnut production, and a new line in the Southern Province, connecting Lindi and Mikindani with the groundnut area, which will cover 145 miles."

In almost all parts of Africa in 1948 studies were under way or projects were in hand to increase the short-run traffic capacity of existing railway systems or to meet the requirements of anticipated developments. The Southern Rhodesian Government purchased the Rhodesian Railways in 1947; some development projects under consideration by the Government would involve railway extensions. The Portuguese Government recently purchased the concessions of the Beira Port Company and Beira Railways. It has granted a considerable loan to Mozambique, the greater part of which is to be spent on communications, including port works at Beira and other centres and railways. It is reported that the Government expects to open the 160-mile Beira-Tete railway in 1949.[1] The Government of the Belgian Congo had several railway extensions under consideration in 1948. The planned development of the French oversea territories would involve modernization of the existing railway systems and some new construction. Improvements and extensions for the railway system in Nigeria were studied during the year. The Union of South Africa's budget, as presented to the Union Parliament on 16 March 1949, proposed a capital expenditure of £SA30 million on loan account in connexion with railways during the fiscal year ending 31 March 1950.[2]

Comprehensive statistics on the road transport network of Africa have not been compiled. During the war additional roads were constructed in some areas important to military supply; thus, the road system of the Belgian Congo was extended by 17,900 kilometres, or 23.5 per cent, between 1939 and 1946.[3] New roads were also constructed in other parts of West Africa. In North Africa, on the other hand, there was considerable destruction of roads, and some deterioration in Ethiopia and elsewhere.

Development plans for the oversea territories include expenditures on roads, which, for Africa, are relatively heavy. In Nigeria, for example, construction was begun in 1945-46, and by 31 March 1948 nearly 1,000 miles of road had been completed or were under construction; the ten-year scheme envisages the laying of 20,700 miles of road at an estimated cost of nearly £7 million.[4] A road connecting Monrovia, the capital of Liberia, with the Bomi Hills, where enormous deposits of iron ore are located, was nearing completion in 1948. A total expenditure of more than 3,100 million African colonial francs has been allocated for the development of roads and bridges in the 1948-49 special budgets of French African territories, excluding North Africa.[5]

In July 1948 the large artificial harbour of the free port of Monrovia, Liberia, was officially opened. Tunisia's war-devastated ports of Sfax, Sousse and Tunis were completely clear of wreckage by the end of 1948 and those of Goulette and Bizerte were sufficiently clear to permit normal operations. The shipping situation in Algeria was reported rapidly approaching normalcy; French Moroccan ports handled over 6.6 million tons of freight in 1948, an increase of 1.2 million tons over the previous year. The port of Casablanca, which handled 5.6 million tons of freight in 1948, was being enlarged to double its present capacity.[6] New port works were projected in British East Africa to relieve congestion at the port of Dar es Salaam, Tanganyika. In French Equatorial Africa, 278 million African colonial francs of the special budget for 1948-49 were allocated

[1] "Development of Beira as a Port," *African Roads and Transport,* February 1949.

[2] United States Department of Commerce, *Foreign Commerce Weekly,* 9 May 1949.

[3] Banque nationale de Belgique, *Bulletin d'information et du documentation,* February 1948.

[4] *Information in respect of Nigeria for the Year 1947* (under Article 73 e of the Charter) Lagos, Nigeria, 1948.

[5] Marchés coloniaux du monde, *Les investissements publics dans les Territoires d'Outre-Mer,* No. 145, 21 August 1948.

[6] French Embassy, Information Service, *News from France* (New York), No. 10, 10 June 1948 and *La Conjuncture économique marocaine,* January and February 1949.

for port development.[1] Similar developments are taking place elsewhere.

Nearly 80 per cent of the 705 million Congolese francs in the extraordinary budget of the Belgian Congo for 1948 was allocated to transport.[2] The French territories, excluding North Africa, designated 42.2 per cent to 83.7 per cent of their 1948/49 special budgets for expenditures on transport and communications.[1] One-fifth of the target expenditures of £53.3 million of the Nigerian ten-year plan was to be devoted to the improvement of transportation and communications.

Before the war Africa was connected by air with the other continents and an internal air traffic system was in the course of development. Since the war, the main emphasis has been placed on the development of medium-range regional networks and international air routes have also been extended and developed. In a few instances services have been curtailed because of financial difficulties, but the predominant trend has been markedly expansionist. Projects in practically every part of Africa envisage further development of the air network, construction and improvement of aerodromes and betterment of technical aids to flying.

Inflationary and Deflationary Tendencies

The war brought inflation of varying magnitude to all African countries. The greatest degree of inflation occurred in the countries which were actually devastated during the war, and also in most of the territories[3] which suffered disruption of their normal commercial relations with Europe. On the other hand, inflationary pressures were relatively moderate in some parts of Africa, such as the Union of South Africa and Southern Rhodesia. Even moderate inflation, however, has had serious economic consequences in countries in which gold production is important to international payments.

During 1947 and 1948 there was, in general, a continuation of inflationary trends but, as previously, the character and impact of inflation has varied from country to country. Insufficient information is available to permit a full evaluation of the factors involved and the cost of living indices available for some parts of Africa are to a certain extent unrepresentative.[4]

The figures given in table 119 indicate that the rate of increase in the cost of living during 1947 and 1948 was lower in the Union of South Africa, certain British territories and the Belgian Congo than in the French oversea territories, where the average monthly rate of advance was high in both 1947 and 1948. In the oversea territories generally, prices and cost of living indices have tended to move in a manner similar to those of the metropolitan countries.

In the Union of South Africa prices continued to increase during 1947 and 1948. Between December 1947 and December 1948 the wholesale price index rose 5 per cent and the retail price index, 6.3 per cent. Although the Government, as before the war, incurred deficits on loan (but not current) account, inflationary pressures were mainly the result of a very high level of investment. The effective demand for consumer goods in 1948 was also high, reflecting an increase in employment and a record level of economic activity. Despite shortages of certain materials, in 1947 and 1948 there was an investment boom of considerable magnitude, connected with new mineral discoveries, the development of heavy and consumer goods industries, the accumulated investment needs of the railways and urban housing. This investment activity was to a considerable extent financed by a net inflow of foreign capital, amounting to £SA150 million in 1947 and £SA75 mil-

[1] Marchés coloniaux du monde, *loc. cit.*, 21 August 1948.

[2] *Moniteur Belge du 11 Mars 1949* (Brussels).

[3] The Belgian Congo was an exception. For a fuller account of the inflationary effect of the war on Africa, see *Economic Report: Salient Features of the World Economic Situation 1945-47.*

[4] The indices for some areas south of the Sahara apply to special groups, such as the European population or government employees, and the prices relate to particular places. It was stated of Northern Rhodesia in 1947 that "the cost of living of Europeans and Africans has risen about 40 per cent and 100 per cent since 1939". *Annual Report on Northern Rhodesia for the Year 1947* (London: His Majesty's Stationery Office, 1948).

Table 119. *Cost of Living Indices in Certain Countries of Africa*
1946, 1947 and 1948
(Specified period = 100)

Country	*Base period*	*1946*	*1947*	*1948*
French Territories:				
Tunisia	1938	766	1,210 [a]	1,805 [a]
French West Africa:				
Dakar (European)	July 1945	140 [a]	175 [a]	255 [a]
Abidjan (European)	Sept. 1947 [b]	. .	103 [a]	131 [c]
French Equatorial Africa:				
Brazaville (European)	Oct. 1945 [d]	140 [a]	184 [a]	282 [a]
Belgian Congo, Leopoldville (European)	July 1935	212	231	245
British Territories:				
Togoland, Ho	1939	248.0	258.1	. .
Kenya:				
Nairobi	Aug. 1939	164.7 [a]	171.0 [a]	186.0 [a]
Mombasa:				
European	Aug. 1939	. .	172 [a]	183 [a]
African	Aug. 1939	. .	192 [a]	208 [a]
Uganda, Kampala	Aug. 1939	159 [a]	161 [a]	171 [a]
Northern Rhodesia	Aug. 1939	129	138	142
Southern Rhodesia	Aug. 1939	131	135	144
Union of South Africa	1937	139	145	153

Source: Official statistics.
[a] Data for single month in latter half of year specified.
[b] Index for 1938, with same base period, amounted to 16.0.
[c] Index for June.
[d] Index for 1938, with same base period, amounted to 32.7.

lion in 1948. In addition there was some domestic investment, particularly in housing and Government projects.

These inflationary pressures in the Union of South Africa were in large measure offset by other influences. The abnormally large merchandise import surplus (about £SA200 million in 1947 and £SA220 million in 1948, compared with £SA63 million in 1938)[1] partly reflects an increase in the quantum of imports and partly, price increases; while a large proportion of imports consisted of producer goods, increased supplies of consumer goods from abroad were also available to meet pent-up and current demands. A further moderating influence was the increase in supplies of locally produced foodstuffs. Increased output of domestically produced consumer goods was probably indicated by the 6 per cent increase in employment in non-durable goods industries in 1948, as compared with the previous year.

In March 1948 restrictions were imposed on capital transfers from the sterling area and after April 1948 capital inflow began to decline. Towards the end of the year the commercial banks were asked to restrict credit. In January 1949 the effect of the restrictions of credit became apparent and this, together with the impact of a fall in gold and exchange holdings, led to a marked reduction in the quantity of money in circulation. The import controls imposed in November 1948 were designed to reduce the trade deficit by severely curtailing imports of consumer goods from all sources.

In other parts of Africa, one of the most important reasons for the persistence of inflationary trends has been the increase in money incomes in the hands of consumers, owing largely to high levels of foreign demand for most African exports and to increased production of these commodities. Thus, for example, the money incomes received by farmers for their agricultural produce in the British and French territories in West Africa increased appreciably in 1948, notwithstanding the official withholding of earnings in some cases. In addition, there has been a tendency, characteristic of very low income groups, to spend most of the enlarged incomes on consumption goods. The relative growth of the consuming population at non-productive ages has also been a factor of some significance.

Sufficient information is, in general, not avail-

[1] According to figures given, in current prices, by the South African Reserve Bank in its *Quarterly Bulletin of Statistics*, March 1949; prices are f.o.b.

able to allow an assessment of factors associated with government finance. The British territories have generally balanced current revenue and expenditure, and this has also been the case in respect of the current budgets of some other territories. In some African territories, however, there has also been an appreciable expenditure on loan account, as in Southern Rhodesia, and a real as well as nominal increase in extraordinary expenditures.

Relatively high levels of public and private investment in Africa, associated with economic rehabilitation and expansion, have continued. In Southern Rhodesia net home investment has been high and has been supplemented by considerable net imports of capital, including immigrants' funds, in both 1947 and 1948. There has been an expansion of investment in the Belgian Congo and a substantial part of total imports has consisted of producer goods required to meet arrears of investment demand and to promote economic expansion. In British East Africa a large amount of external capital has been invested in the ground-nut scheme and other development projects. The reconstruction and development expenditures of public authorities, financed partly by external loans and subsidies, have increased in the French territories. There has also been a significant transfer of private capital, some of it speculative, from France to Morocco and to other African territories; in October 1948 restrictions on capital transfer were imposed in Morocco.

Trends in the money supply have varied from district to district. In British West Africa currency circulation rose between mid-1947 and mid-1948, mainly in response to high export prices. Currency circulation in Kenya, Tanganyika, Uganda and Zanzibar declined slightly in 1947 and again in 1948. Note circulation in most of the French territories — Tunisia excepted — increased between December 1947 and August 1948; the rate of increase was especially high in Morocco, the West African territories and Madagascar. In some extreme cases, there developed a lack of confidence in money.

The close commercial and monetary connexions between France and the African oversea territories have led to some parallelism in their inflationary trends. The parity of the French North African currencies with the metropolitan franc was maintained when the franc was devalued in January and October 1948. The full effects of these devaluations on the inflationary situation in French North Africa were not clear. Some export prices in the western French territories were raised, following the similar devaluation of the colonial franc in January. However, on 18 October the colonial franc-metropolitan franc parity was changed from 1.70 to 2; this is expected ultimately to exert a deflationary influence in the oversea territories involved.

Improved supplies of goods in 1948 were a major factor in the easing of inflationary pressures in a number of countries. There was a general increase in the supplies of locally produced foodstuffs, though shortages continued in some areas, including French North Africa. Imports of consumer goods also continued to increase and there was a trend towards the decontrol of prices as supplies became more adequate. The volume of textile imports rose substantially in 1947 and 1948; in parts of East Africa the supplies of certain classes of textiles have appeared more than sufficient to meet prevailing demand at current prices. Certain types of textiles have remained in short supply, as, for example, wide cloths in British West Africa. Notwithstanding generally improved supplies of textiles, some areas have continued to be short of these and other consumer items. Thus, the volume of imports of cotton textiles into French North Africa and Madagascar has continued at well below pre-war rates; although in 1947 French West African imports of cotton textiles were over 50 per cent higher than in 1938, there was a decline in the first eight months of 1948 to approximately the pre-war import rate.

Towards the end of 1948 and in early 1949 there was a marked downward trend in the world prices of a number of (though not all) commodities, both mineral and agricultural, that are important in African exports. Particularly sharp price declines occurred in the case of cocoa and non-ferrous metals. The reduction of high incomes resulting from exports on relatively favourable terms of trade is likely to result in a considerable relaxation of inflationary pressures as African export prices begin to receive the full impact of

declines in the world prices of primary commodities.[1]

Ethiopia appears to have been an exceptional case, in that prices declined sharply in the course of 1948. Comprehensive data are available only for wholesale prices of exports and imports. The index (30 May 1947 = 100) of wholesale prices of agricultural exports rose from 119 in the third quarter of 1947 to 131 a year later, and subsequently declined to 119 as on 30 November 1948.[2] A very large rise in the prices of basic agricultural commodities had occurred in 1947 and the first half of 1948. Cereal prices reached a peak in May and June 1948, and then declined. Between the third quarter of 1947 and the same period in 1948, the index of wholesale prices of imports fell from 96 to 69[3] and tended subsequently to be stabilized at about that level. The price of cotton goods—which had been very scarce during the war years—declined by 40 per cent as supplies became increasingly available from India, the United States, China and Japan.

Trade

The share of Africa in world merchandise trade, while a small part of the world total, is relatively high *per capita,* in comparison with the Far East, and relatively low in comparison with Latin America. The share of Africa in world merchandise trade is higher than its contribution to world production. This is largely explained by Africa's heavy dependence on foreign capital, with the accompanying emphasis on production for export, and by the small amount of domestic capital which has been available for the development of industry to serve internal markets in most areas.

Details of pre-war and post-war merchandise trade of the area are given in table 120.

The contribution of Africa to world exports and imports combined was higher than the 1937-38 average in both 1946 and 1947. The increase has been especially marked in the African share of world imports despite widespread controls on foreign spending, owing not only to expenditures arising out of pent-up demand or relatively high current levels of income but also financed, in 1947 particularly, by foreign investment in the case of some areas. The quantum of merchandise exports in 1947 may have been near the 1937 level, although a clear comparison cannot be made for the area as a whole, because of the great increase which has occurred in the prices of primary products and the divergence of African export prices from world levels as a result of bilateral and bulk purchase agreements and allocation schemes of various kinds. Table 121 gives indices of the volume of trade in certain African countries.

Table 120. Merchandise Trade of Africa

1937, 1938, 1946 and 1947

(In millions of dollars in current prices)

Year	Value of trade		Percentage of world total	
	Imports	Exports	Imports	Exports
1937	1,572	1,139	5.5	4.4
1938	1,406	897	5.6	4.0
1946	2,429	1,725	6.9	5.2
1947	3,774	2,322	7.2	4.8

Source: Statistical Office of the United Nations. Totals exclude Egypt.

Available evidence suggests that the volume of imports and exports of the Union of South Africa, and of exports of the Belgian Congo, was appreciably higher in 1947 than in 1937. The volume of exports by British West Africa and the Anglo-Egyptian Sudan was very probably lower than in 1937.

[1] In some cases, bulk purchase agreements with African territories have provided for African export prices below world levels.

[2] State Bank of Ethiopia, *Monthly Letter,* November and December 1948.

[3] 31 May 1947 = 100.

Table 121. Volume of Trade of Certain Countries in Africa
1946 and 1947
(Pre-war=100)

Country	Pre-war period	Exports 1946	Exports 1947	Imports 1946	Imports 1947
French North Africa	1938	70	94	105	125
French West Africa	1938	85	90	81	144
Madagascar and Réunion	1938	80	72	71	100
Southern Rhodesia	1939	112	118	106	140
Kenya	1935-38	116	119	117	144
Tanganyika	1935-38	105	102	100	156
Uganda	1935-38	100	104	82	97

Source: Official statistics.

Fragmentary evidence indicates that, for the area as a whole, the quantum of both exports and imports in 1948 rose above 1947 levels.

One of the principal developments of 1948 has been the intensification of difficulties confronting the Union of South Africa which stemmed largely from adverse developments in its external trade relations and which were also related to rising costs in the gold-mining industry. The sale abroad of current gold production, which before the war usually realized about twice the value of merchandise exports and was more than sufficient to offset the passive balance of merchandise trade, has fallen short of meeting the merchandise deficit of the post-war years. This is partly because gold output itself has fallen below pre-war levels, while the price offered for gold by the principal foreign purchaser, namely, the United States, has remained at the pre-war level. In addition, the merchandise deficit has increased considerably on account of the large post-war increase in the volume of imports and in spite of a continued rise through 1948 in the value of exports.

The effect of this fundamental deterioration in the external position of the Union of South Africa has, however, been masked by capital imports on a very large scale, particularly from the United Kingdom. Difficulties have arisen mainly from the decline in this capital inflow after April 1948. The increasing size of the passive trade balance during the post-war period and the drain on gold and sterling holdings in 1948 are shown in table 122.

The Government dealt with the external problem, first, by import restrictions which were applied in November 1948 to imports from non-sterling (mainly dollar) countries, where the exchange position was most difficult, and to "non-essential" goods. As from July 1949, import restrictions were to be applied generally, i.e., to imports from sterling countries also, in view of the increasing drain on the sterling reserves. Additional exchange resources were mobilized by a reduction in the reserve ratio of the Reserve Bank, by a partial repayment of the $320 million gold loan to the United Kingdom and by drawing on the International Monetary Fund. Restrictions on capital transfers from the sterling area were imposed in March 1948 and additional measures were taken to combat inflation. Merchandise imports, as tentatively calculated for the first quarter of 1949, were at $339.5 million, some $41 million more than they were in the first quarter of 1948. Official statistics are not available to establish the comparable movement of exports. The problem of adjusting the country's economic life to the change in its external position since April 1948 remains a serious one.

Table 122. Balance of Payments of Union of South Africa
1947 and 1948
(In millions of dollars in current prices)

Item	1947	1948
Merchandise trade balance (f.o.b.)	—780	—880
Sales of current gold output [a]	388	396
Invisibles and lend-lease payments	—232	—160
Net balance on current account	—624	—644
Financed by		
Capital inflow [b]	604	300
Drain on reserves: [c]		
Gold	176	248 [d]
Foreign exchange	—156	96 [d]

Source: South African Reserve Bank, *Quarterly Bulletin of Statistics;* provisional estimates.
[a] Gold production less gold consumption in the Union.
[b] Includes an allowance for errors and omissions.
[c] Increase of reserves (—).
[d] Excludes gold loan of $320 million to the United Kingdom and drawings of about $10 million on International Monetary Fund; if added, they would bring the aggregate drain on the reserves to about $654 million.

The reconstruction and development of the French territories in Africa, together with food shortages in North Africa, have required increased imports by these territories. In the post-war period the gap between exports and imports has tended to widen in French North Africa. On the other hand, the marked recovery of exports from the West African territories as a group in 1948 elimi-

nated their import balances. The figures given in table 123 understate the value of exports.[1]

Before the war Liberia normally had a passive balance of trade; its greatly increased post-war trade has shown an active balance. For the fiscal year ending 31 March 1948 exports amounted to $13.9 million (Liberian) as compared with $12.9 million in 1946-47; and imports were $9.1 million (Liberian) in 1947-48 as compared with $8.7 million in 1946-47.[2]

Ethiopia's export surplus for the fiscal year ending 10 September 1947 was converted to an import surplus in 1947-48. Merchandise imports rose from $69.0 million (Ethiopian) to $105 million; the value of exports increased from $69.1 million to $85.4 million. The import surplus of 1947-48 is reported to reflect, to some extent, a repatriation of capital.[3]

Between 1937 and the post-war years significant changes occurred in the relationship between imports and exports in a number of African countries, as is shown in table 124. Comparing 1947 and the periods of 1948 for which data are available, import surpluses increased in Kenya and Uganda, Tanganyika and Southern Rhodesia; on the other hand, the Gold Coast's import surplus was reduced and Northern Rhodesia's export surplus was larger.

A major development in 1948 has been the increase of trade with Europe, as shown in table 125. Data include Egypt, but since Egyptian trade with Europe is a relatively small percentage of

Table 123. External Trade of French Territories in Africa [a]
1938, 1947 and 1948
(In millions of metropolitan francs)

Country	1938	1947	1948 [b]
French North Africa: [c]			
Imports	8.74	96.13	134.46
Exports	8.50	60.19	73.97
Balance [d]	−0.24	−35.94	−60.49
Madagascar and Réunion: [e]			
Imports	0.87	8.86	12.87
Exports	1.03	9.20	10.30
Balance [d]	0.16	0.34	−2.57
West African territories: [f]			
Imports	2.21	30.54	29.78
Exports	2.00	20.59	30.27
Balance [d]	−0.21	−9.95	0.49

Source: Ministère de la France d'outre-mer, *Bulletin mensuel de statistique d'outre-mer,* July, August and September 1948.

[a] Except French Somaliland.

[b] First nine months only, for French North Africa and Madagascar-Réunion; first eight months only for West African territories.

[c] Figures include trade among Algeria, Morocco and Tunisia.

[d] Export surpluses; import surpluses indicated by minus (−).

[e] Figures include trade between the territories.

[f] Figures include trade among French West Africa, Togoland (French administration), French Equatorial Africa and Cameroons (French administration).

Table 124. Foreign Trade of Certain Territories in Africa
1937, 1947 and 1948
(In millions of local currency)

Country	Currency	1937		1947		1948	
		Imports	Exports	Imports	Exports	Imports	Exports
Belgian Congo and Ruanda-Urundi [a]	(francs)	1,209.7	2,167.6	6,453.3	7,602.5	8,359.2	10,406.1
Gold Coast [b]	(£)	12.3	12.2	21.1	15.9	28.5	24.3
Northern Rhodesia [c]	(£)	4.1 [d]	12.0	10.7	21.2	16.1	28.5
Southern Rhodesia [e]	(£)	8.5	6.3	34.8	19.5	43.8	26.4
Kenya and Uganda [e]	(£)	9.9 [d]	11.2 [d]	31.1 [d]	26.4 [d]	45.4 [d]	33.9 [d]
Tanganyika [e]	(£)	4.2	4.8 [d]	13.7 [d]	11.2	23.2	16.2
Mozambique [a]	(escudos)	428.9	289.7	1,426.7	1,091.4	856.1 [f]	675.5 [f]

Source: Statistical Office of the United Nations.

[a] Special trade.

[b] General trade; excluding silver bullion and specie.

[c] General trade; including gold and silver bars and Government stores; excluding specie.

[d] Excluding silver.

[e] General trade.

[f] Six months.

[1] An element of error arises also from the inclusion of trade among members of each group in the figures for that group.

[2] *Fifth Annual Message of the President of Liberia Delivered Before the Second Session of the Forty-First Legislature,* 26 November 1948.

[3] State Bank of Ethiopia, *Monthly Letter,* December 1948.

Table 125. Trade of Africa[a] with Europe

1938, 1947 and 1948

(In millions of dollars at current f.o.b. prices)

Country	African imports			African exports		
	1938	1947	1948 [b]	1938	1947	1948 [b]
Total, Europe	975	1,981	2,664	877	1,852	2,577
Belgium and Luxembourg	60	135	172	67	155	166
France	215	696	849	274	675	881
Italy	149	57	84	42	100	66
Portugal	7	50	48	14	38	36
Spain	9	106	115	6	84	93
United Kingdom	361	770	1,134	247	608	975
Others	174	167	262	227	192	360

Source: Secretariat of the United Nations Economic Commission for Europe, *Economic Survey of Europe in 1948* (Geneva, 1949).

[a] Including Egypt.

[b] The figures for 1948 are provisional and are based on data for less than the full year in most cases.

the total African trade with Europe, the table is generally representative of trends in trade between Europe and Africa, exclusive of Egypt. The figures given in the table are influenced by adjustments explained in the source, and are not comparable to the figures given in table 120.

As European supplies became increasingly available there was a reduction in Africa's dependence on the United States as a source of supply, as shown in table 126. However, the relative importance of the United States in African trade continued to be much greater than before the war, and the Union of South Africa was a conspicuous exception to the general trend of trade with the United States. In 1948, the British non-metropolitan territories and the Anglo-Egyptian Sudan, together, achieved an export surplus in trade with the United States,[1] partly as a result of the policy of restricting dollar imports.

The pattern of trade of the dependent territories generally was, in 1948 as in earlier years, subject to the stress of payments difficulties experienced by the respective currency zones to which they belonged and was intimately related to European problems.

Table 126. Trade of Africa with United States

1937, 1947 and 1948

(In millions of United States dollars in current prices)

Item	1937	1947	1948
Total:			
Imports [a]	138.4 [b]	761.3	749.1
Exports	78.6 [b]	298.8	377.4
Import surplus [c]	—59.8	—462.5	—371.7
Union of South Africa:			
Imports [a]	88.7 [d]	413.9	492.1
Exports	14.4 [d]	111.4	135.2
Import surplus [c]	—74.3	—302.5	—356.9
Other African areas:			
Imports [a]	49.7	347.4	257.0
Exports	64.2	187.4	242.2
Import surplus [c]	14.5 [e]	—160.0	—14.8

Source: United States official statistics; figures exclude Egypt.

[a] Including re-exports from the United States.

[b] Not including Anglo-Egyptian Sudan.

[c] Import surplus indicated by minus (—).

[d] Including Basutoland and Swaziland.

[e] Export surplus.

[1] On the basis of United States trade statistics, the British territories and the Anglo-Egyptian Sudan had an export surplus amounting to $91.7 million in 1948, as against an import surplus of $15.2 million in 1947 and an export surplus of $24.6 million in 1946. (United States Department of Commerce, *Summary of Foreign Commerce of the United States, January-December,* 1947 and 1948.)

Part III

SELECTED WORLD ECONOMIC PROBLEMS

Chapter 1

FOOD AND AGRICULTURE SITUATION

by

Food and Agriculture Organization of the United Nations

World food production for 1948/49 [1] was materially higher than for the previous year. Production of crops used for direct human consumption was equal to, or above, pre-war levels and production of food crops was well above pre-war, but output of animal products was still substantially below pre-war. The crop increases were due primarily to exceptionally favourable crop and pasture conditions in Europe and North America, in contrast with unusually bad weather and low yields in Europe in 1947/48. World population is about 10 per cent larger than before the war; world supplies of food in terms of calories per person were still 5 to 10 per cent below the pre-war level and were even further below desirable nutritional levels in terms of other nutrients essential to health.

Food Production

The levels of production of certain major products in 1948/49 compared to pre-war and 1947/48 are shown in table 1.

Table 1. Food Production: Indices for Selected Products for World (excluding USSR) 1947/48 and 1948/49

(Average 1934-38 = 100)

Product	Production year	
	1947/48	1948/49
Bread grains	96	109
Coarse grains	101	124
Rice	96	98
Sugar	105	116
Potatoes	83	102
Fats and oils	94	97
Fish [a]	105	110

[a] Based on reports from six countries in North America and Europe.

Excluding production in the Union of Soviet Socialist Republics, production of rice and of oils and fats was nearly back to the pre-war average; that of potatoes was about pre-war; while production of bread grains, coarse grains and sugar was well above pre-war. Animal products, reduced by 1947/48 feed shortages, were slower to respond. Production of milk and meat continued at about two-thirds of pre-war, or lower, in Europe. Production fell somewhat in North America but remained far above pre-war levels. In the exporting regions of the Southern Hemisphere, livestock products continued at about pre-war levels. The 1948 supplies of feed will not be reflected in supplies of animal products till 1949 or later. Fish production exceeded pre-war levels. In the Union of Soviet Socialist Republics, production of crops and livestock apparently continued to expand in 1948/49, though precise data on individual products are not available.

Aggregate 1948/49 production of food and feed crops in individual continents is shown in table 2.

Crop production in 1948/49 in Europe and South America was still about 10 per cent below pre-war levels; in Asia, about pre-war; in Africa and Oceania, somewhat above; and in North and Central America, far above. The changes in production per person were far more striking: Europe and Asia, despite the recent improvement, were still about 10 per cent below average pre-war crop production per person; South America temporarily fell to about 70 per cent of pre-war; Africa and Oceania were slightly above pre-war; and only North America was far above. Except Oceania and South America, all regions show substantial

[1] Area and crop production statistics for 1948/49 for the Northern Hemisphere pertain to the harvests of the spring, summer and autumn of 1948 and, for some portions of the Far East, to harvests continuing into the early part of 1949; for the Southern Hemisphere, these statistics relate to the crops harvested in the latter part of 1948 and the first half of 1949.

Table 2. Food and Feed Crop Production: Indices of Original Energy Value for World (excluding USSR) and Continents
1947/48 and 1948/49 [a]
(Average 1934-38 = 100)

Continent	Total		Per Person	
	1947/48	1948/49 [b]	1947/48	1948/49 [b]
World (excluding USSR) ..	98	112	89	101
Europe	70	91	67	87
North and Central America	132	166	115	142
South America....	106	90 [c]	85	71 [c]
Asia	95	99	87	90
Africa	110	118	96	103
Oceania	130	117	119	107

[a] Weights used in computing index: wheat, 100; rye, 95.8; barley, 64.8; oats, 58.4; maize, 106.3; rice, 91.2; sugar (raw), 105.4; and potatoes, 24.6. These crops, directly as food or indirectly as feed, are basis for about 85 per cent of all food production.
[b] Preliminary figures.
[c] Approximate only, pending harvests in first half of 1949.

improvement in crop production per person in 1948/49, compared with 1947/48. As indicated below, the volume of crop production by regions may differ sharply from food consumption, because of livestock feeding and changes in imports and exports and in carry-over.

Area and production changes for particular groups of food products are shown below.

GRAINS

The world area and yield of cereals, not including rice, in 1947 and 1948, compared with pre-war, are given in tables 3 and 4.

Table 3. Grain Area: Estimate for World (excluding USSR)
1934-38, 1947/48 and 1948/49
(In millions of hectares)

Item	Average 1934-38	Production year	
		1947/48	1948/49
Total	298.5	300.1	302.3
Bread grains..	141.2	142.5	144.1
Coarse grains	157.3	157.6	158.2

While the area in grain in 1948/49 was only 1 per cent above 1947/48, the total production from this area was 18 per cent above 1947/48. This improvement in output was especially influenced by the unusually large maize crop in the United States. Estimated world bread grain production in 1948/49 was 9 per cent above pre-war, and about 13 per cent above 1947/48 production, while coarse grain output in 1948/49 was over 20 per cent above both pre-war and 1947/48 production. Total grain production in the Union of Soviet Socialist Republics, not included in the above figures, exceeded 110 million tons, according to a recent official report, and almost reached 1940 output.

Table 4. Grain Production: Estimate for World (excluding USSR)
1934-38, 1947/48 and 1948/49
(In millions of metric tons)

Item	Average 1934-38	Production year	
		1947/48	1948/49
Total	343.7	340.3	403.2
Bread grains..	147.7	141.6	160.8
Coarse grains	196.0	198.7	242.4

Rice, the staple food of virtually half the world's population, continued to be in critically short supply. World production in 1948/49 was estimated at approximately 145 million metric tons of paddy, or rough rice. Although the harvest surpassed last year's by 2.5 million tons and acreage was above pre-war, production nevertheless fell 3 million metric tons short of the pre-war average. Against the decreased supply, consumption needs were greater than pre-war, for the population of the rice-eating countries increased by nearly 100 million, or 10 per cent, during the past decade. The supply of rice available for export in 1949 was estimated at less than half of pre-war, while the deficit areas dependent upon imports of this basic food increased. The following data give the estimated area, production and exports of rice for pre-war, 1947/48 and 1948/49 for the world and for Asia as a whole.

Table 5. Rice Area: Estimates for World and for Asia
1934-38, 1947/48 and 1948/49
(In millions of hectares)

Area	Average 1934-38	Production year	
		1947/48	1948/49
World	83.7	84.8	86.0
Asia	80.1	79.4	80.0

Table 6. Rice Production and Exports: Estimates for World and for Asia
1934-38, 1947/48 and 1948/49
(In millions of metric tons)

Item	Average 1934-38	Production year 1947/48	Production year 1948/49
Production[a]:			
World ..	147.5	141.9	144.5
Asia	141.3	132.7	135.0
Exports[b]:			
World ..	8.6	2.6	3.4
Asia	8.1	1.6	2.3

[a] In terms of paddy rice. [b] In terms of milled rice.

The area of wheat in the Far East was slightly below pre-war in 1948/49 and Far Eastern wheat production exceeded the pre-war average only by about 2 million tons. Increased wheat production can thus make up only a small part of the rice shortage per person.

By comparison of estimated exports with production in the grain exporting countries, it appeared that year-end total grain stocks would be increased; expansion of stocks in the United States and Canada and, to some extent, in the Danube Basin and in the Union of Soviet Socialist Republics would more than offset a significant decline in Argentina. Much of the increase is in coarse grains, however. Total carry-over wheat stocks of the four main exporting countries are expected to show little change from the end of the season a year ago and provide little offset against possible smaller production in 1949/50.

FATS AND OILS

World production of fats and oils, about 90 per cent of pre-war in 1946/47, increased in 1947/48 and in 1948/49 reached about the pre-war average output. This average included large increases above pre-war in North America and the Philippines and production still far below pre-war in many other regions, notably Europe and Japan. With smaller imports, and reduced supplies of invisible fats because of the low output of milk and meat, a total shortage of fats, below pre-war levels per person, is still marked in many importing countries.

SUGAR

Sugar production was 10 per cent larger in 1948/49 than in 1947/48, and both years were well above pre-war levels. Production per person for the world population was about 7 per cent above the pre-war average. With exchange difficulties restricting imports and consumption, world stocks of sugar are increasing, largely in Cuba.

LIVESTOCK AND PRODUCTS

European livestock numbers at the end of 1948 were slightly larger than a year earlier but were still far below the pre-war level. In North America there was some increase in the number of hogs, and cattle numbers, which had been declining since 1947, appeared to have remained stationary. Cattle numbers were also maintained in Oceania but some decline occurred in Argentina. In the war-ravaged regions of Asia, livestock numbers were doubtless still below pre-war.

More favourable pastures and improved supplies of feed increased milk production per cow in 1948/49 and stimulated a general rapid increase in poultry; meat production, however, continued substantially unchanged from the previous year. In Europe, where the number of cows was about 84 per cent of pre-war, total milk production from cows, at about 70 per cent of pre-war in 1948/49, was slightly higher than a year earlier. Meat production, however, remained at about 60 per cent of pre-war. In North America, milk production in 1948/49 continued at about 12 per cent above pre-war and meat production was about one-third above pre-war, though lower than in the two previous years. In Argentina, meat production fell somewhat, owing both to severe weather and producers' reactions to unfavourable prices; meat exports declined during the fall and early winter of 1948/49. In Australia and New Zealand, despite somewhat more favourable conditions after a lengthy drought, total production of milk and meat increased only slightly, to about pre-war levels.

Increased supplies and lower prices of feedstuffs aided in stimulating a substantial expansion of livestock in most regions. In Europe, larger supplies of bread grains, reduced human consumption of coarse grains and increased supplies of milling offals supplied more feed. Oil cake production and imports of oil cake and feedstuffs were also recovering gradually. Total European feed concentrate supplies per animal unit, one-third below pre-war in 1947/48, approached the pre-

war average. This situation was expected to result in a substantial increase in livestock numbers in 1949 and some increase in production, especially of milk, poultry products and pork. In some European countries, beef production was expected to increase 5 to 10 per cent and pork as much as 40 per cent; almost all countries were projecting substantial further increases in livestock.

In North America, feed concentrate supplies per animal unit were at record high levels—over one-fifth above pre-war supplies. While this encouraged a substantial increase in livestock numbers, little or no increase in total meat production was expected in the 1949 calendar year. Increased pork output was expected, generally, to balance less beef and lamb. Milk production was also expected to show little change; heavier feeding per cow would about offset reduced numbers of cows. The major increase in meat production was expected to become evident in 1950. Despite severe temperatures and snows in western North America in the 1948/49 winter, livestock losses were expected to be very low in proportion to total numbers.

The long-term downward trend in cow numbers in Australia and New Zealand seemed to have been arrested. Exports of dairy products expanded during the preceding year and a high level of exports was expected in 1949. Both countries tried to increase production for sale to the United Kingdom still further. Argentina attempted to increase domestic consumption of dairy products and to expand exports to continental European countries but no major change in production of livestock products was expected. In general, 1948 appeared favourable for livestock production in Brazil and conditions appeared similar for 1949. Little current information is available for other South American countries.

FISH

There was an increase in world landings in 1948 compared with the previous year. Larger landings were made in 1948 in some European countries—the United Kingdom, Denmark and, notably, Norway. Landings in Iceland and Belgium were below the 1947 figures. In Canada and the Netherlands, the fish catch was increased by some 10 per cent. In Newfoundland it was 10 per cent below that of 1947, while in the United States it remained at about 2 million tons. In Latin America, where 1947 production of about 420,000 tons was already 75 per cent above pre-war, production increased slightly in 1948. In the Far East, production in some countries, particularly Japan, may still be below pre-war.

Because of smaller landings in cod fisheries in Norway and Newfoundland and because of a change in distribution and processing patterns in Iceland, there was a reduction in the quantity of salted cod and related species. World production of this commodity in 1948 amounted to 204,000 tons, compared with 253,000 tons in 1947. The amount of high-priced ground fish, such as plaice and other varieties of flounder, has been decreasing because of the over-exploitation of natural resources. This has led to intensified fishing in distant waters north of the Arctic Circle and in trans-Atlantic fisheries, mainly in Newfoundland and Greenland waters.

Production of tuna in the United States set a record in 1948, at twice pre-war levels, but the production of salmon was very small.

The 1948 production of herring in Europe was much larger than in previous years, mainly because of an extremely successful winter herring season in Norway. Iceland summer herring fisheries were almost a failure, while production in the United Kingdom was about average. In North America, herring fisheries yielded relatively small quantities, although large quantities of menhaden were landed in the United States. The amount of herring salted was still unusually high, mainly because of the extraordinary post-war demand for this cheap source of animal protein.

The canning of herring decreased substantially because of cessation of demands for canned herring from relief agencies. With herring landings high, a larger quantity was diverted to oil and meal. The production of relatively high-priced canned products of species related to herring, such as European sardines, was below that of 1947.

Fish consumption in Europe was above pre-war because of the continued shortage of meat in many European countries. Whale meat seems to have become more generally accepted as food in some European countries; if this trend develops further, larger quantities of whale meat, which have hitherto been wasted or manufactured into meal for animal feed or fertilizer, may in the future be consumed as human food.

Food Consumption

Recent comprehensive estimates of food available for consumption in individual countries in the 1947/48 consumption year give background data for judging the trends which consumption levels may follow as a result of better crops in 1948/49. Table 7 shows estimated food supplies available for human consumption—in terms of calories, protein and fat—during 1947/48, compared with pre-war, for certain countries in the different regions of the world.[1]

Table 7. Food Supplies: Calorie, Protein and Fat Value Per Person Per Day in Certain Countries 1934-38 and 1947/48

Country	Calories		Protein (In grammes)				Fat (In grammes)	
			1934-38		1947/48			
	1934-38	1947/48	Total	Animal	Total	Animal	1934-38	1947/48
North America and Oceania:								
Canada [a]	3,070	3,170	85	48	96	60	120	134
United States	3,160	3,240	90	52	99	63	127	136
Australia	3,310	3,260	103	67	105	67	129	122
New Zealand	3,260	3,210	96	64	100	64	140	136
Europe:								
Belgium	2,970	2,670	83	36	79	34	97	88
Denmark	3,420	3,120	91	57	108	64	150	124
Finland	3,000	2,620	95	44	91	41	88	72
France	2,880	. . [b]	88	37	. .	. .	84	. .
Germany (all) [c]	2,960	. .	83	40	. .	. .	112	. .
French zone [d]		1,860			68	24		37
UK and US zones		2,190			75	22		36
USSR zone [e]		1,900			61	14		31
Greece	2,580	2,270	77	22	68	18	70	62
Hungary	2,770	2,430	82	25	73	16	70	47
Iceland	3,160	3,100	111	74	114	80	108	129
Ireland	3,390	3,260	99	48	104	50	106	108
Italy	2,640	2,250	86	20	71	16	61	52
Luxembourg	3,170	2,860	83	38	78	31	123	98
Netherlands	3,010	2,690	76	37	78	35	115	86
Norway	3,160	2,900	86	46	90	48	116	108
Poland	2,710	2,360	79	23	66	17	62	40
Sweden	3,120	2,870	95	59	113	80	118	112
Switzerland	3,170	3,110	95	54	93	46	106	97
United Kingdom	3,100	2,970	82	45	89	46	123	103
Yugoslavia	3,020	2,140	95	22	65	11	60	34
Far East:								
Burma	2,080	1,990	72	33	68	26	32	23
China [f]	2,270	2,120	71	6	66	4	40	38
Ceylon	1,730	1,680	50	16	50	15	14	29
Indochina	1,900	2,040	48	12	47	5	23	17
Japan	2,180	. . [g]	64	10	. .	. .	20	. .
Near East:								
Egypt	2,450	2,360	74	9	68	9	42	42
Turkey	2,560	2,170	78	12	68	12	49	46
Africa:								
Union of South Africa	2,250	2,420	68	24	74	27	43	47
Latin America:								
Argentina	2,730	3,190	98	62	110	66	93	108
Brazil [a]	2,150	2,240	68	32	64	27	52	45
Chile	2,240	2,350	69	21	73	24	38	40
Colombia [a h]	1,860	1,990	47	20	51	22	37	39
Cuba	2,610	2,680	62	23	67	26	48	56
Peru	1,860	1,920	56	13	52	14	36	35
Uruguay [a]	2,380	2,480	90	61	90	59	90	84

[a] 1935-39 averages for pre-war.
[b] Taking into account an appreciable understatement of production in reported production data, it has been estimated that the supply per person was between 2,500 and 2,600 calories.
[c] 1935-38 average, 1936 boundaries.
[d] Including Saar and sector of Berlin.
[e] Including sector of Berlin.
[f] 1931-37 (pre-war) averages.
[g] A nutrition survey conducted by the Ministry of Welfare in certain communities estimated calorie supplies per person per day at 1,965 calories.
[h] Post-war year 1946.

[1] These estimates are shown only for countries where adequate and agreed data are available. Owing to the paucity of statistics, agreed data are available for only a few countries in the Far East, Africa and the Near East.

In many European countries food supplies in 1947/48 averaged near or below the "temporary maintenance" level of 2,500 calories per person; Yugoslavia and all German zones were below the "emergency subsistence" level of 2,200 calories; and Greece and Italy—and probably Austria, Portugal, Spain and Romania, also—were barely above it. Present larger supplies are bringing 1948/49 consumption somewhere about halfway between the lowest post-war level and the pre-war average; this recovery has occurred mostly in foodstuffs of vegetable origin. Many war-devastated countries with 1947/48 consumption levels far below pre-war are making considerable progress towards pre-war, as shown by the preliminary 1948/49 estimates given in table 8.

Comparable data are not available for the Union of Soviet Socialist Republics. The available reports, however, indicate progressive improvement of consumption levels.

Table 8. Food Consumption: Calories per Person per Day in Certain Countries

1934-38, 1947/48 and 1948/49

Country	1934-38	1947/48	Rough estimates 1948/49
Germany	2,960[a]	. .	. .
UK and US zones		2,190	2,350–2,400
USSR zone		1,900	2,150–2,200
Greece	2,580	2,270	2,400–2,450
Hungary	2,770	2,430	2,550–2,650
Italy	2,640	2,250	2,450–2,500
Poland	2,710	2,360	2,400–2,500
Yugoslavia	3,020	2,140	2,400–2,500

[a] Total Germany.

In most countries of the Far East, where malnutrition was widely prevalent before the war, 1947/48 supplies per person were lower than pre-war in calories, and sharply lower in animal protein. This unsatisfactory situation was only a little improved in 1948/49. Increased food production in these countries at a markedly accelerated rate is necessary to provide significant improvement in the diet of these peoples, who constitute more than half the population of the world.

In North America and Oceania the national average supplies, so far as is known, were fully adequate in quantity and quality to meet nutritional requirements if equitably distributed. Continuation of existing special measures is desirable to ensure that all sections of the population obtain sufficient food.

Africa, the Near East and Latin America (except Argentina) had supplies of varying degrees of nutritional inadequacy. Production in these regions requires further increase and improvement in quality to balance increases in population and to raise nutrition levels. Pre-war supplies were generally inadequate and development beyond pre-war is needed, although gross malnutrition was generally not so prevalent as in the Far East.

Many war-time rationing and collection controls and special food distribution measures have been slackened or discontinued. This may produce less equitable distribution and may reduce the nutritional welfare of total populations, despite the improvement in supplies. To meet nutritional needs fully, food supplies in most countries need to be raised to substantially higher levels per person than prevailed before the war and special measures need to be continued to ensure the availability of nutritionally adequate supplies to those sections of the population least favourably situated.

Non-food Farm Products

FIBRES

World production of fibres in 1947/48 was about one-fifth larger than a year earlier but was still 14 per cent below the output of the last pre-war season; production per person was about 23 per cent below pre-war. The world crop of vegetable fibres in 1948/49, appreciably larger than that of the previous season, reflects larger areas and generally better yields, except for jute, as shown in table 9.

While more than nine-tenths of world production of fibres was accounted for by the natural fibres, the output of man-made fibres has resumed a strong upward trend. Synthetic fibres have been relatively cheaper in the post-war period, compared to natural fibres, than during pre-war years, despite the weakening in prices of natural fibres since mid-1948.

Table 9. Fibre Production: Indices [a] for World
1947/48 and 1948/49

Fibre or group	Indices (1938 = 100)		Percentage distribution of world production		
	1947/48	1948/49 [b]	1938/39	1947/48	1948/49 [b]
Total	86	94	100	100	100
Natural fibres [c]	84	91	93	91	90
Synthetic fibres [d]	105	130	7	9	10
Cotton [e]	85	97	55	54	57
Wool [f]	95	97	9	10	9
Raw silk	24	26	—	—	—
Flax	48	56	7	4	4
Hemp	72	87	4	3	3
Jute [f]	95	83	14	16	13
Hard fibres [g]	88	90	4	4	4
Rayon and nylon	105	130	7	9	10

[a] By weight.
[b] Preliminary estimates.
[c] Total, exclusive of rayon and nylon.
[d] Rayon and nylon.
[e] Season beginning 1 August.
[f] Season beginning 1 July.
[g] Abaca, sisal and henequen.

World consumption of fibres was above current production during the first three post-war seasons. The resulting decline of world stocks contradicted earlier fears that surpluses of cotton and wool accumulated during the war years might be a drag on the market. For 1948/49, cotton consumption is estimated at slighty lower than the season's large crop but wool consumption continued to exceed output and stocks declined further.

While the supply of apparel textiles is adequate to meet effective demand in a number of countries and inventories have increased in some, the needs for these goods were not met in large regions of the world. Trade in semi-manufactured and finished textiles has revived slowly and has shifted from pre-war distribution because of expanded textile manufacturing in some developing countries and the disruption of Far Eastern trade previously dominated by Japan.

RUBBER

World production of natural rubber in 1948 is estimated at nearly one-fifth larger than a year earlier and considerably above the pre-war average. The recovery of output in Indonesia was more rapid than had been expected; production continued at high levels in Malaya, Ceylon and most other major areas. Consumption of natural rubber in 1948 was sufficient to absorb nearly all of the enlarged output, while in 1947 production exceeded consumption by about 15 per cent. Production of synthetic rubber was adjusted downward but its consumption decreased even more although prices of natural rubber remained well above those of synthetic rubber throughout 1948. Production of natural rubber in 1949 may show a further gain.

TOBACCO

World production of tobacco in 1948 was approximately the same as in 1947—at appreciably above pre-war levels. Consumption in 1948 was higher than pre-war, though with marked differences among individual countries.

Forestry and Forest Products

Preliminary estimates indicate that world production of forest products of all kinds in 1948 was about 1,500 million cubic metres in terms of roundwood, or about the same as in 1937, one of the best pre-war years. This represents an advance of at least 3 per cent over the 1947 production.

Detailed statistics for 1948 are not yet available, but for 1947 it was estimated that the total volume of output was divided among the principal categories of product as follows: fuel-wood, 57 per cent; sawn timber, 25 per cent; pulpwood, 8 per cent; and other industrial wood, 10 per cent. The percentages in 1948 were probably similar to those in the previous year, except that the output of fuel-wood decreased somewhat in relative importance in Europe and in North America. This trend is expected to continue in 1949, particularly in Europe.

An important shift in the comparative use of various types of wood is resulting from the increasing growth of chemical wood industries—converting not only soft wood pulpwood but hardwoods and waste wood from forests and sawmills. Wood pulp and pulp products account for nearly two-thirds of the value of all exports while soft wood lumber makes up only about 22 per cent. The trend towards increased pulp production at the expense of lumber and fuel-wood is likely to continue, although it will not be equally noticeable in all parts of the world. The decline in the use of fuel-wood begins only when a country develops other sources of power and heat on a fairly large scale and this has not yet happened in large parts of Asia, Africa and Latin America. The declining use of lumber in favour of pulp is likewise confined mainly to northern Europe and North America, where 82 per cent of the world's pulp is produced.

Although over-all wood production in 1948 was at least equal to that of an exceptionally favourable pre-war year, shortages of forest products—of varying degrees of severity—continued to be felt in most parts of the world. North America, Europe and Oceania, with 24 per cent of the world's population, consumed at least 70 per cent of the total output of industrial wood.

Despite weakening of lumber markets in 1948, the available supplies of lumber fell far short of real needs, particularly in those countries which suffered major war devastation. The serious shortage of paper supplies in most European countries continued, although world production of pulp for the manufacture of paper and other pulp products was probably 5 per cent greater than the record of 26.5 million metric tons estimated for 1947.

Estimates of a roundwood output of 280 million cubic metres by 1950, which are contained in the current five-year plan of the Union of Soviet Socialist Republics, suggest that production in 1948 probably surpassed the pre-war level, but the tremendous demands of reconstruction in that country prevented resumption of its former position as one of the world's principal exporters of sawn lumber. Chronic and serious shortages of wood in all its forms continued to affect India and China and also continued to be felt in the Middle East.

From the long-term point of view, a recent survey by the Food and Agriculture Organization indicates that the total forested area of the world is close to 4,000 million hectares, of which more than 2,600 million hectares are capable of supplying recurrent crops of wood under systematic management. Only about 1,400 million hectares, however, are considered accessible at present and all current production is obtained from this area. Meanwhile, almost 1,200 million hectares of potentially productive forests are lying idle. It is estimated that existing forests could, if properly managed, provide a reasonably adequate supply of wood and wood products for the world's population, if difficulties of development and transportation could be overcome. Such development must be regarded as a long-term objective. In the meantime, many of the most accessible forests are being heavily overcut.

Fellings in the forests of Europe are currently 20 per cent greater than the annual growth. In the United States, fellings of sawn timber exceed growth by 50 per cent, even though total growth and total fellings are more or less in balance. In the tropics, shifting agriculture and fires continue to be major sources of forest devastation. The principal forestry problems are thus (*a*) to re-

duce devastation and overcutting of accessible forests, and (*b*) to develop the forests which are as yet inaccessible to exploitation.

The urgency of these problems is emphasized by the fact that improvement of living standards brings with it increased demands for forest products. In many regions, improved conditions cannot be achieved unless more wood is provided since fuel-wood continues to be the chief means for cooking and heating in most of the world; sawn lumber is one of the principal building materials and is essential to manufacturing industries and transportation systems; larger output from coal mines requires more pitprops; the dissemination of news depends to a large degree on adequate supplies of wood pulp; and wood, in its natural state or converted into paper, is the chief material for packaging the products of industry.

Requisites for Production

In previous post-war years, one of the main obstacles to expanding production has been the shortage of fertilizers and agricultural chemicals for plant protection, the inability of farmers to obtain adequate supplies of implements and the shortage of boats and gear for fishing and of supplies and machinery for logging and sawing. The outlook in the early part of 1949 for chemical fertilizers, farm machinery, seeds, pesticides and equipment for fisheries and forests is described below. In general, the outlook appears to be one of gradual improvement.

CHEMICAL FERTILIZERS

World production of nitrogen, phosphates and potash is at record high levels and the gap between supplies and the unprecedented world demand is closing. Further improvement is expected in 1949/50.

Production of fertilizer nitrogen reached an all-time high of 3.14 million metric tons (nitrogen) in 1948/49.[1] This was more than 50 per cent above 1938/39 production and 16 per cent above 1947/48. Most of the increase was in European and North American production. Despite increased world supplies, however, a number of countries were unable to import as much nitrogen as they wished in 1948/49. The shortage was especially felt in the Far East and in parts of eastern Europe. Short import supplies and exchange difficulties encouraged further expansion of production in many deficit countries; it is expected that this will further narrow the gap between supply and demand in 1949/50.

[1] All figures exclusive of the Union of Soviet Socialist Republics.

The latest estimate of world phosphate rock production was 14 million metric tons for 1946/47. Output has increased substantially since that date. Production of soluble phosphates—about 4.2 million metric tons (P_2O_5) in 1946/47—has since increased in some major producing countries by more than 10 per cent and is reported adequate to meet over-all effective world demand. Owing to reduced European steel production, the supply of basic slag, however, was reported below effective demand.

Potash production, estimated at 3,237,000 metric tons (K_2O) for 1946/47, has increased substantially since then. Post-war production in the United States and France, particularly, reached record high levels. World production was reported nearly in balance with effective world demand, though local deficits may arise, chiefly because of difficulties in equitable distribution.

FARM MACHINERY

The farm draught power situation has improved since the war in most regions of the world, owing to the gradual recovery of draught animal numbers in non-mechanized areas and the rapidly increasing production and use of tractors. Progress has also been made in replacing old and obsolete farm implements. World[1] factory production of farm implements in 1948 was 15 to 20 per cent greater than in 1947. Production of both tractors and implements set a new record in the United States and tractor output doubled that of 1947 in the United Kingdom. Production in several other European countries expanded considerably during 1948 and production of relatively simple

equipment increased in many parts of the world. However, 75 per cent of world production (excluding the USSR) was still concentrated in North America.

The outlook for 1949 was that production levels for farm machinery would be maintained in North America, and would increase further in Europe and other areas. Slackening of domestic demand in North America may release a larger proportion of production for export.

Demand for many types of equipment continued to exceed supplies in 1948. Production gradually approached the growing demand, however, and the large back-log of unfilled orders may be satisfied in 1949 or 1950. Some underdeveloped areas, e.g., in Latin America and the Far East, are still urgently in need of equipment for development projects, owing in part to supply shortages and in part to lack of foreign exchange.

SEEDS

Early in 1949 seed supplies as a whole appeared adequate for planting 1949 crops and the supply of improved seeds was somewhat better than in 1948.

In North America, supplies of improved high-yield seeds appeared generally ample, or even abundant, except for grass seeds. Grass seeds, especially timothy and red-top, were scarce, but supplies of legumes were fair. By reducing carry-overs to a minimum, necessary seeding was expected to be maintained, with perhaps some shift towards extended use of clover and other legumes.

In Europe, production of improved seeds was gradually being restored, and new seed-producing areas were being developed. The quality of seed in use was not yet equal to pre-war standards—a fact which partly accounted for recent low average yields of potatoes and beets, for example. With the larger 1948 seed crops, supplies of improved seeds for 1949 were expected to be the best since the war.

The use of more recently improved types of seed, for hybrid maize, for example, is spreading in Europe, but is not yet sufficient to have a measurable influence on average yields. Supplies of pure-line maize and of hybrids, sent by the Food and Agriculture Organization to various European countries for experimental work, will not begin to affect actual production for several years. Imported hybrid seed, although developed for American conditions, has in the meantime yielded more than local maize varieties in several countries.

Seed supplies in Oceania and in commercial farming regions of Africa and Latin America appeared of normal quality. In Asia, previous progress in the development and use of improved varieties was set back by war and post-war disturbances.

PESTICIDES

Total pesticide production and consumption in the world is constantly increasing; except for rotenone and pyrethrum, supplies appeared adequate to meet 1949 demand. A greatly expanded world demand for organic synthetic pesticides could easily be met by manufacturers if dependable assurance of demand and sufficient advance notice were given. Pesticides of plant origin, on the other hand, e.g., rotenone and pyrethrum, cannot be expanded rapidly.

The supply of the main inorganic pesticides—the arsenates of lead and calcium and copper sulphate—appeared adequate to meet demands. In view of the expanding use of the new synthetic pesticides, DDT supplies appeared plentiful and production declined sharply in the United States in 1948. Benzene-hexachloride production was expanded rapidly and supply appeared sufficient for demand. There was a short supply of rotenone because of steadily increasing use. The supply of pyrethrum was definitely tight and the nicotine supply was low.

FISHERY EQUIPMENT

Despite substantial progress in the restoration of war-damaged equipment, the scarcity of craft, gear and processing equipment probably hampered expansion to some extent, both in Europe and in other regions.

FORESTRY EQUIPMENT

Equipment for logging, road-building, and wood processing, which has been abundant in North America, contributed to recent substantial increases in the output of forest products. Equipment in Europe has been inadequate, owing to shortages of steel and other materials and to lack of buying power. Arrangements which were negotiated in 1948, for credits and equipment from

importing countries to timber-exporting countries, helped to ease this situation. Measures preliminary to similar arrangements are being developed in Latin America, Asia and the Far East.

International Trade

Greater production in 1948/49 was reflected in roughly corresponding increases in international trade. The increase was most marked in grains; 1948/49 trade volume appeared likely to exceed the previous year by 10 per cent and to approach the record figures of the early 1930's. World exports of rice, though slightly above the low level of 1947/48, were expected to be less than half of pre-war. Trade in fats and oils was expected to be slightly above the 1947 level, which was only about 60 per cent of pre-war. Total world trade in fisheries products reached pre-war levels, although there was some change in its composition and direction as a result of the currency situation. The improvement in production, the lack of corresponding improvement in purchasing power and the exchange difficulties of importing countries have led to the discontinuance of allocation of fats and oils and of all grains except wheat and rice. In May 1949, only wheat and wheat flour, rice, cocoa and nitrogen fertilizers were still under allocation by the International Emergency Food Council of the Food and Agriculture Organization.

Continued foreign exchange scarcity—especially of dollars and other hard currencies—tended to reduce effective import demand for some commodities, even in countries where the commodities were still needed to restore or improve pre-war standards of consumption. This was particularly notable in the international markets for fresh fruits and vegetables, sugar, fats and oils and lumber. In these and other basic commodities, not all the supplies available for export in 1948/49 were purchased.

The scarcity of dollar exchange occurred despite the increasing availability of funds under the European Recovery Program. By the end of February 1949, over $1,500 million of these funds had been authorized by the Economic Cooperation Administration for the purchase of food and feedstuffs, of which $700 million was for purchases outside the United States.

The structure of world trade in 1948 continued far different from that of pre-war years, reflecting the changed distribution of production, progress in development programmes and the changed position of Germany and Japan. North America, which in 1948 produced one-third of the world's original energy[1] in food and feed crops—as compared with the pre-war 22 per cent—contributed more heavily to exports than during the pre-war period. Some countries which were previously large exporters of fats and oils increased their domestic consumption of these products.

Prices and Marketing

Price movements of farm, forestry and fisheries products in 1948 varied widely among countries because of differences in their inflationary or deflationary situations, domestic supplies and changing governmental controls. In many countries, the easing of supply situations caused a weakening in the prices of these primary products as compared with the general price level; there were many indications that the post-war peak of the prices of these products, relative to others, has now generally been passed.

In a few countries where prices had been most influenced by government controls, farm product prices advanced, relative to other prices, as controls were relaxed. In most countries, however, the purchasing power of farm products (the ratio of the level of farm product prices to that of other products) declined during 1948 and was lower at the end of the year than in 1947. Despite the declines, however, the purchasing power of farm products late in 1948 was still somewhat higher in most countries than it was before the war—ranging between 90 and 120 per cent of the pre-war purchasing power. The prices of most fisheries products also declined somewhat, reflecting the improved supply and the lowered price of other foods, as well as the more abundant supplies of fish. The price weaknesses or declines oc-

[1] Exclusive of the production of the Union of Soviet Socialist Republics.

curred even though many governments supported prices of farm products by loans, purchase programmes or other measures.

In lumber and wood pulp, high prices throughout 1948 tended to limit consumption and brought effective demand in closer relationship to available supplies. Many countries which depend upon imports for a large part of their supplies of lumber and pulp limited demand by exercising import or currency controls. Demand was also limited by other measures, such as rationing and credit control, although paper and housing needs continued to be great. Consumers of lumber and pulp considered prices too high. In the case of lumber, there is danger that this may encourage permanent shifts to substitute materials. In North America, however, prices of most grades of lumber and of pulp appear to have reached or passed their post-war peak; this is probably also true in Europe.

In some countries where serious food scarcities had previously prevailed, larger food supplies and the easing of inflationary pressures helped to revive confidence in local currencies and to lessen the expectation of further price increases. This resulted in improved deliveries by farmers and in declining black market activities. The gradual restoration or replacement of damaged or deteriorated transport, storage and processing facilities also improved the marketing and distribution of farm, fisheries and forestry products.

Outlook

Weather conditions in many areas during the 1948/49 winter were moderately favourable for continued good production in 1949/50; supplies of fertilizers, seeds and other requisites were generally more abundant than during the year before. Acres sown to winter grains in the autumn were slightly larger in some important Northern Hemisphere regions, but drought conditions were reported in southern and south-eastern Europe. Conditions in the Southern Hemisphere have been less favourable; there was some drought and harvests were reduced. No significant changes in 1949 world production, however, can be forecast. Facilities for catching and processing fish continue to expand; the 1949 catch should be larger unless natural conditions become less favourable. Although increased feed supplies had not been reflected in world livestock production in the first part of 1949, total animal and vegetable food production in 1949/50 may equal or exceed that of 1948/49, even if crop yields should be slightly lower.

Relatively favourable farm incomes in many areas and increasing supplies of industrial goods for farm production and consumption have made it possible to satisfy at least some of the farmers' most urgent needs and to make progress in restoring farm facilities in war-devastated areas. Easing of some of the acute shortages in agricultural requisites—notably farm machinery and fertilizers—has helped this progress. Despite some improvement, draught power is still short in many countries where animals are mainly relied upon. In some seriously devastated countries, despite gradual progress in the reconstruction of transport and marketing systems, most distribution services remain below pre-war levels. In some of these countries—or where extensive land reforms have been undertaken—there is also great need for more rural and farm roads, repair and reconditioning of farm buildings and rural water and electricity services. In many countries, agricultural credit facilities are either inadequate or unsuitable; this hinders not only post-war recovery but also new development.

Since the war, farmers in many commercialized regions have benefited to an unusual degree from the relative scarcity of food and the resulting relatively high prices of farm products. Farmers of regions where farm production had been greatly expanded were exceptionally prosperous; they were able to sell their large output at relatively high prices. Similar conditions prevailed with regard to woodsmen and fishermen. Since the shortages are now beginning to be relieved, this exceptional support for rural prosperity is disappearing. From this point onward, rural prosperity will depend in greater measure upon the continued and balanced expansion of both agriculture and industry and upon the avoidance of any

serious recessions in industrial activity, in order that supplies of industrial goods and the effective demand for farm products may expand as farm production increases.

In the less developed countries, economic development is at best a slow process. It depends primarily on the removal of basic obstacles to good farming—such as ignorance and unsuitable systems of tenure and taxation—as well as on the provision of adequate capital and credit at reasonable interest rates; the availability of necessary production goods; continued and intensified scientific and technical research; and organization to ensure both that the results of research are known to the farmers and that the farmers can understand and apply them. The progress which can be made along these lines in any single year can only be moderate, but a beginning is already being made in many less developed countries. These measures, however, are generally not yet of sufficient magnitude and intensity to ensure rapid or substantial improvement in the average diet in these regions.

Chapter 2

POPULATION TRENDS

by

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Total World Population

The total population of the world about the middle of 1947 is estimated at 2,315 million. Recent information about population changes in various areas indicates a world population of about 2,350 million at mid-1948; for mid-1949, the figure may be about 2,375 million. It must be emphasized, however, that these estimates are tentative and are subject to important reservations. The margin of error in the figures cannot be estimated exactly. If all errors were in the same direction, allowance for an error of 10 per cent in regions where the statistics are regarded as poor and of 5 per cent in regions with fair statistics might result in an over-all error of 140 million, or 6 per cent.

Table 10 gives estimated population figures for various regions at mid-1947 and mid-1937 and for 1920 and 1930 (or approximate years). The second column of the table indicates whether the figures may be considered "good," "fair" or "poor," on the basis of a careful examination of the data from which the figures are derived.

Table 10. Population: Estimates for World, Continents and Regions
1920, 1930, 1937 and 1947
(In millions)

Region [a]	*Reliability of estimates* [b]	*Estimated population*			
		1920 [c]	1930 [c]	1937 [d]	1947 [d]
World	poor	1,772	1,982	2,141	2,315
Africa	poor	129	149	163	183
America	poor	209	242	266	310
Canada and United States [e]	good	115	134	140	157
Latin America [f]	poor	94	108	126	153
Asia [g]	poor	952	1,052	1,141	1,230
Near East [h]	poor	57	60	66	74
South-central Asia [i]	fair	311	344	378	412
Japan	good	56	64	71	79
Remaining Far East [i]	poor	528	584	626	665
Europe [g]	fair	473	529	560	580
North-west-central Europe [j]	good	177	190	195	210
Southern Europe [k]	good	69	78	83	90
Eastern Europe [l]	fair	227	261	282	280
Oceania	good	9	10	11	12

Note. So far as possible, figures are official estimates; for 1947, official estimates cover about nine-tenths of the total. Populations are given in round millions because figures are not equally reliable. The data relate to post-war frontiers. Figures for 1937 and earlier years have been adjusted in accordance with boundary changes as far as possible.

[a] Based on natality, mortality, total increase and age statistics of the respective countries, with some exceptions.

[b] While fairly precise comparisons from period to period for "good" statistics and limited comparisons for "fair" statistics are possible, even rough comparisons are doubtful for statistics designated "poor".

[c] Census figures in or near the respective years, e.g., for 1929, 1930, or 1931; for Europe, estimates are for the years specified.

[d] Mid-year estimates.

[e] Including small populations north of Mexico: Alaska, Greenland, St. Pierre and Miquelon.

[f] Including Central America, Mexico, the islands of the Caribbean and all countries to the south in the Western Hemisphere.

[g] Asia, excluding the Union of Soviet Socialist Republics; all of the latter is included with eastern Europe.

[h] Including the Arabian peninsula, Iran and Iraq and all countries in Asia to the west of these areas.

[i] South-central Asia: Bhutan, French India, India, Nepal, Pakistan and Portuguese India; all other countries of Asia, except Japan and the Union of Soviet Socialist Republics, are included in the "remaining Far East".

[j] Including Austria, Belgium, Denmark, Finland, France, Germany, Iceland, Ireland, Liechtenstein, Luxembourg, Monaco, Netherlands, Norway, Sweden, Switzerland and United Kingdom.

[k] Andorra, Greece, Italy, Portugal, San Marino, Spain, Trieste and Vatican City.

[l] Albania, Bulgaria, Czechoslovakia, Hungary, Poland, Romania, Turkey in Europe, Yugoslavia and the entire Union of Soviet Socialist Republics.

The estimated total world population was 2,315 million in 1947, 2,141 in 1937, 1,982 million in 1930 and 1,772 in 1920. This indicates an increase of over 500 million from the end of the First World War to the end of the Second. On the average, the increase was about 21 million a year during the 1920's, 23 million during the 1930's and 17 million a year during the period from 1937 to 1947. Though it is obvious that the increase must have varied a great deal from year to year, it is not possible to give the details of population changes in various regions during the war years. The estimates for Europe including the Union of Soviet Socialist Republics—560 million for 1937 and 580 million for 1947—indicate that a large part of the natural increase was cancelled out by war losses.

The annual increase in the estimated total world population amounted to approximately 1.1 per cent during the two inter-war periods and to 0.8 per cent during the period from 1937 to 1947. For the entire period from 1920 to 1947, the annual increase was 1.0 per cent.

Distribution of Population by Region

More than one-half of the estimated world population in 1947, or approximately 1,200 million people, live in Asia. Among the Asian countries, the populations of China and India each amounted to about one-fifth of the world population. Europe, including the Asian parts of the Union of Soviet Socialist Republics, had a population of about 580 million, or one-fourth of the world total. The American continents, with about 310 million, had a little more than one-eighth of the world population.

AFRICA

With the exception of the white population, estimates for all African populations have a wide possible margin of error. The continental total of 183 million in 1947 is therefore subject to serious reservations. The figures given in the table for previous years imply an increase of about 2 million, or 1.2 per cent a year. The estimates of births and deaths are, however, very uncertain and it is doubtful if the increase was in fact as high as this.

AMERICA

According to estimates for Canada and the United States—which are considered good and are comparable over periods of time—the population increased 12 per cent during the ten-year period from 1937 to 1947, an annual average of 1.7 million a year. From 1920 to 1930 the increase was somewhat larger—19 million or 16.5 per cent, an annual average of 1.9 million. In the intervening years 1930 to 1937, however, the increase totalled only 6 million, or 4.5 per cent, an annual average of under 1 million.

The population estimates for Latin America have varying degrees of reliability. Since the figures for some of the larger countries are rather poor, the annual average increase can be given only very roughly, as between 2.5 million and 3 million. The annual rate of increase during recent years has probably been over 2 per cent.

ASIA

The population figure of 412 million for the region of south-central Asia in 1947 may be considered fairly accurate. Comparison with the estimate of 311 million for 1920 indicates a total increase of more than 100 million and an average annual rate of increase of 4 million, or 1.1 per cent. Japanese population figures, which are considered good, show an increase from 56 million in 1920 to 79 million in 1947, or 1.3 per cent a year during the inter-war period and 1.1 per cent a year during the period from 1937 to 1947.

The "remaining Far East" had an estimated population of 665 million in 1947, of which the largest part was in China. The official estimate for China is 463 million. Available data do not furnish reliable information about population changes during the period considered here.

EUROPE

The population of north-west-central Europe increased by 33 million, from 177 million in 1920 to 210 million in 1947. The average annual increase was 0.7 per cent during the 1920's, 0.4

per cent during the period from 1930 to 1937 and 0.7 per cent, again, during the last ten-year period. The population of the southern European countries increased from 69 million in 1920 to 90 million in 1947, or 21 million. The increase amounted to about 1.2 per cent a year during the 1920's and about 0.8 per cent annually during the two later periods.

Data for east Europe (including all of the USSR) present some difficulties because of changing boundaries and heavy population losses during the war. Thus, the decrease in the population figures from 1937 to 1947 probably does not give a correct measure of the actual changes. The population increased 55 million in the inter-war period, from 227 million in 1920 to 282 million in 1937. The increase during the 1920's is estimated at 1.4 per cent a year; during the period from 1930 to 1937 it was slightly lower—1.2 per cent annually.

Births, Deaths and Natural Increase

The above description of trends in total population may be amplified by statistics of births and deaths.

Before the war the annual number of births in the world as a whole was between 73 and 80 million, while the number of deaths was between 52 and 58 million. In round figures, these are the equivalent of an annual birth rate of 36 per thousand and a death rate of about 26 per thousand and imply a natural increase of 1 per cent a year in the world population. These estimates are consistent with the estimates of population above.

The total number of births to be expected in 1949 may be about 85 million and the number of deaths about 60 million. This would result in an annual increase in population of approximately 25 million, or about 1 per cent.

Estimates of the number and rate of births and deaths are subject to even more uncertainty than those for total population. Vital statistics for only a very small part of the world population can be considered good; for many areas the available figures are incomplete. There are no vital statistics for the greater part of the world's population. For areas lacking adequate data, it is necessary to base estimates on conditions in similar areas that are covered by reliable information. For regions with good population statistics, estimates of births and deaths are based on weighted averages of the crude birth rates and death rates for the period 1936 to 1939, which can be properly related to population figures for mid-1937. For regions with fair or poor statistics, rough estimates of the rates have been made on the basis of available analyses.

The approximate numbers of births and deaths in the several continents and regions are shown in table 11.

Table 11. Births and Deaths: Estimated Numbers and Rates for World, Continents and Regions
1937

Region	Number		Rate	
	Births (In millions)	Deaths (In millions)	Births (Per thousand of population)	Deaths (Per thousand of population)
World:				
Range	73.2–80.1	51.7–57.7	34.2–37.4	24.1–27.0
Average	77	55	36	26
Africa	6.5–7.3	5.7	40–45	35
America:				
Canada and United States	2.4	1.5	17	11
Latin America	5.0–5.7	2.5–3.2	40–45	20–25
Asia: [a]				
Near East	2.6–3.0	1.7–2.0	40–45	25–30
South-central Asia	15.1–17.0	11.3–13.2	40–45	30–35
Japan	2.0	1.2	28	17
Remaining Far East	25.1–28.2	18.8–21.9	40–45	30–35
Europe: [a]				
North-west-central Europe	3.3	2.5	17	13
Southern Europe	1.9	1.3	23	16
Eastern Europe [a]	9.1	5.1	32	18
Oceania	0.2	0.1	20	11

[a] Asia, excluding the Union of Soviet Socialist Republics; all of the latter is included with eastern Europe.

Mortality and Mean Expectation of Life

The lowest reliable estimate of mean life expectation appears to be somewhat under 30 years. The highest mean expectation is between 65 and 70 years. Such high figures are found in some countries in north-western Europe as well as among the white populations of North America, Australia and New Zealand.

For the world as a whole, the mean expectation of life for a new-born child may be estimated at about 35 years.[1] This value is consistent with the estimated world death rate of 26 per thousand.

The implications of various levels of the mean expectation of life at birth may be indicated by considering the proportions of new-born children who survive to various ages. When the mean expectation of life is 35, about 20 per cent of the children die within the first year of life. In countries where the mean expectation of life is about 65, the proportion of infants who die is less than 5 per cent, sometimes as low as 3 per cent. The survivors at age 15 for the first case are about 60 to 65 per cent of those born, while in the latter case about 92 to 95 per cent reach that age. The average expectation of additional years of life for a person of age 15 is about 35 years in the first case and about 55 years in the second. These figures illustrate the enormous differences that exist among regions of the world and indicate the magnitude of the task of raising the health of the population of the larger part of the world to the level found in the countries where mortality is low.

Fertility and Reproduction Rates

In general, information about fertility and reproduction rates is limited to countries with well-developed statistics, which usually means countries where family limitation is fairly widespread. For a large part of the world population, knowledge about the fertility patterns underlying the crude birth rates is very scarce. It may, however, be assumed that changes over periods of time in the fertility of such sections of the world population are relatively minor and may to a considerable extent be considered indirect influences of short-term variations in health conditions and mortality.

Table 12. Pre-War Fertility Rates, by Age of Mother: England and Wales and Mexico

Age of mother (Years)	*Average annual birth rate (Per thousand of female population in specified age group)*	
	England and Wales 1938-39	*Mexico 1939-40*
15–19	15	112
20–24	92	285
25–29	113	287
30–34	82	212
35–39	47	140
40–44	16	56
45–49	2	36

The large difference in the fertility of various populations is illustrated by two examples, in table 12, of fertility rates according to the age of the mother, for the population of England and Wales in 1938 and 1939 and for the population of Mexico in 1939 and 1940.

The table implies a gross reproduction rate [2] of 0.89 for England and Wales and 2.74 for Mexico. The differences may be further illustrated by applying the fertility rates to life tables for approximately the same periods. The net reproduction rates would be 0.81 and 1.51, respectively.[2] The above corresponds to a "true" natural increase of 1.5 per cent per annum in the case of Mexico and a decrease of 0.75 per cent for the population of England and Wales.

It is impossible to compute even rough measures of net reproduction or "true" natural increase for the world population. The relation between crude birth rates and annual net reproduction rates, like the relation between death rates and mean expectation of life, shows very large variations. A birth rate of under 20 per thousand usually means a net reproduction rate of less than 1.1. Birth rates between 20 and 30 per thousand are most frequent in populations with a net reproduction rate between 0.9 and 1.5. If the birth rate is above 30 per

[1] This figure is based on life tables where available. For other areas, a value for the mean expectation of life is based on the broad relationship which is found in the world today between the crude death rate and the mean expectation of life. The number of deaths in each area has been used to weight the expectation of life in the calculation of the world figure.

[2] Reproduction rates represent, for fixed specific birth and death rates, the average number of females that would be born alive to one woman; the gross reproduction rate assumes that all mothers remain alive during the entire child-bearing period, while the net rate allows for the prevailing mortality among potential mothers between birth and the end of the child-bearing period.

thousand, the net reproduction rate is likely to be over 1.3.

These estimates are consistent with the earlier estimates for the world population. Since the crude birth rate has been estimated at about 35 per thousand, the net reproduction rate will presumably be about 1.4—an annual increase of about 1 per cent, assuming the length of a generation to be somewhat less than 30 years.

Infant Mortality

Childhood mortality, particularly mortality during the first year of life, is considered an important measure of social and sanitary conditions. Information on this aspect is very poor for the larger part of the world, mainly because of under-registration; for many of the regions, it is possible to establish only a rather wide range within which the "true" mortality rate is believed to fall.

Infant mortality [1] has been estimated at between 150 and 250 infant deaths per thousand births in Africa, Latin America and Asia. Infant mortality in eastern Europe prior to the war has been estimated at close to 150 deaths per thousand births. Rates for the remaining regions of the world, for the years 1936 to 1939, are as follows: 54 deaths per thousand births in Canada and the United States, 110 in Japan, 61 in north-west-central Europe, 114 in southern Europe and 63 in Oceania.

If these estimates are applied to the estimated number of births, the number of deaths of infants under one year is found to be between 12 million and 16 million annually. About two-thirds of this number, or between 8 million and 11 million, occur in India and the Far East.

Age Distribution

Variations in age distribution are caused by differences in the number of births and deaths and by migration. In countries where the birth rate has shown no significant decline, the age distribution resembles a pyramid. As may be deduced from table 11, this type of age distribution is characteristic of most of the world population. Countries in which the birth rate has declined sharply may have an "abnormal" age composition in which, in extreme cases, the proportion of children is much smaller than that of youths.

Since world-wide data for age distributions are not available, it is possible to provide such information globally only for broad age groupings. Estimates are given for the following groups: under 15 years of age, from 15 to 59 years and 60 years and over. Regional estimates of age distribution have been made on the basis of such reliable age distribution data as are available for certain countries in the region, or for neighbouring areas, relating to a point of time within the past five or ten years.

Table 13 gives the estimated percentage distribution of the three age groups for various regions. The figures for the group under 15 years have been rounded up or down a few per cent, to 40 per cent each for Africa, Latin America, Near East, India and south-central Asia and the "remaining Far East".

Table 13. Population: Estimated Distribution among Three Major Age Groups, for World and Regions

1947

(Estimated percentage of total population)

Region	Under 15 years	15-59 years	60 years and over
World	36	57	7
Africa	40	55	5
America:			
Canada and United States	25	64	11
Latin America	40	55	5
Asia: [a]			
Near East	40	54	6
India and south-central Asia	40	56	4
Japan	37	55	8
Remaining Far East	40	55	5
Europe: [a]			
North-west-central Europe	24	62	14
Southern Europe	30	59	11
Eastern Europe [a]	34	59	7
Oceania	28	62	10

[1] Ratio of deaths under one year of age in a calendar year to the live births reported for the same period.

[a] Asia, excluding the Union of Soviet Socialist Republics; all of the latter is included with eastern Europe.

The type of age distribution that is found in north-west-central Europe, Canada, the United States and the European populations of Oceania and South Africa differs from that of the other regions. In all the former countries children under 15 years of age represent about one-fourth of the population. A somewhat higher proportion is characteristic of southern Europe, owing to its higher birth rate.

If the estimated percentages of children in the total population are applied to the population figures for 1947, it may be estimated that there are between 70 million and 75 million children under 15 in Africa, 40 million in Canada and the United States, 60 million in Latin America, 75 million in north-west-central and southern Europe and 95 million in eastern Europe (including the Asian parts of the USSR). South-central Asia has about 170 million children and the remaining Far East about 260 million.

Estimated by the same method, the total world population by age groups would be as follows: 36 per cent, or 830 million, under 15 years; 7 per cent, or 150 million, aged 60 or over and somewhat more than 1,300 million, or 57 per cent, in the active ages of 15 to 59 years.

Chapter 3

MAN-POWER SITUATION

by

International Labour Organisation

The fullest and best use of the man-power resources of the world has been one of the most important international problems pressing for solution. There has been a general improvement in the economic situation of the world as a whole, and much of the disorganization and dislocation of production and trade arising out of the war has now been remedied, but there are still many obstacles in the way of social reconstruction and the maximum use of the world's human resources.

The population of most countries has continued to increase at a higher rate than in pre-war and war years, because of the rise in the birth rate and the fall in mortality rates, but these increases have not yet led to any great increase in available man-power since they are largely confined to groups outside of working age. Total population of working age has increased much more slowly or is even decreasing, but those of working age who form the available man-power or labour force have, however, on the whole increased, especially among females where there exist greater reserves. Available man-power is more fully utilized than before the war and the position during 1948 has been, on the whole, as satisfactory as in 1947. Apart from one or two areas, employment has increased and unemployment has remained at a very low level; in some countries hours of work have also increased.

Employment

The employment situation appeared favourable on the whole, since unemployed workers have been absorbed and additional persons have been drawn into employment. Table 14 shows changes in total man-power resources for the few countries which compile such statistics.

Table 14. Civilian Labour Force in Certain Countries
1939, 1947 and 1948
(In thousands)

Country	*1939 Average*	*1947 End of year*	*1948* [a]
Including unemployed:			
Canada	4,612 [b]	4,934	4,964
United States	55,230	59,590	61,375
Norway	1,150	1,260	. .
United Kingdom	19,270	19,188	19,500
Australia	2,738	3,217 [c]	. .
New Zealand	681	701	709 [d]
Japan	. .	35,140	37,150
Employed:			
Canada	4,242 [b]	4,847	4,858
United States	45,750	57,947	59,434
Germany, UK and US zones	11,568	11,868	12,374
Netherlands	1,384	1,500	–
United Kingdom	18,000	18,888	19,216
Japan	. .	34,700	36,910

[a] November or December, except New Zealand.
[b] 1941. [c] June. [d] July.

Table 15. Manufacturing Employment: Indices for Certain Countries
1939, 1947 and 1948
(1937=100)

Country	*1939 Average*	*1947 End of year*	*1948* [a]
Argentina	108.5	149.3	147.5 [b]
Canada	98.2	174.7	181.7
United States	94.5	153.0	150.7
Belgium [c]	. .	121.9 [d]	. .
Czechoslovakia	. .	98.2	105.2 [e]
Denmark (hours worked)	107.7	123.0 [f]	126.0
Finland	. .	122.6 [f]	129.2
France	105.4	106.3 [f]	111.1
Germany, UK and US zones	. .	109.7 [g]	127.6
Ireland	101.4	117.7 [f]	124.1 [e]
Norway	100.0 [h]	126.9	130.6 [i]
Sweden	105.2	124.0	123.9 [j]
Switzerland	98.3	135.6	133.3
United Kingdom	101.7	108.2	109.9
Australia	105.7	155.0	159.3
South Africa	104.3	149.2	159.6

Note: Indices of hours worked for France and United States (1937 = 100) for 1939, 1947 and 1948, respectively, were as follows: France, 105.9, 117.4 and 123.2; and United States, 92.3, 163.3 and 155.7.

[a] October, November or December, except as stated.
[b] April.
[c] Including commerce.
[d] 1946.
[e] September.
[f] Average of year.
[g] December 1946=100.
[h] 1941.
[i] March.
[j] July.

In the United States, although unemployment remained relatively stationary in 1948 compared with 1947, employment increased from about 58 million at the end of 1947 to 59.4 million at the end of 1948. A similar movement occurred in Canada where the labour force in employment increased slightly, although unemployment rose by 20,000. In the United Kingdom total civilian manpower increased by about 320,000, to 19.5 million in 1948, although unemployment remained at almost the same level.

Employment in manufacturing industries, shown in table 15, rose in nearly all the countries for which data are available.

In Canada, the index was 82 per cent above that of 1937; in the United States, it was 50 per cent and in Argentina, over 40 per cent higher. In Australia and the Union of South Africa, increases of 60 per cent were recorded.

Unemployment

Available unemployment statistics are shown in table 16, which gives annual averages of recorded unemployment for 1939, 1947 and 1948. The latest available monthly figure for 1949 is also included. Although not in all cases complete, these figures show that there has been in practically every country a large drop in unemployment compared with 1939, though the situation at the end of 1948 was not so favourable in some European countries as at the end of 1947.

In Canada and the United States, the number of unemployed fell from nearly 10 million in 1939 to about 1.7 million at the end of 1947; there were 2.0 million at the end of 1948. Figures are available for seventeen European countries but comparable pre-war data are unfortunately not available for three important countries—Germany, Italy and Poland. The total recorded unemployment for the remaining fourteen countries fell from about 3¼ million in 1939 to under one million in 1948. Comparison of 1948 with 1947—for this comparison it is possible to include the three countries—shows practically no change in total unemployment: it was slightly above 3½ million in 1947 and slightly below in 1948. In some countries, unemployment was extraordinarily low or had almost disappeared in 1947 and 1948, noticeably in Australia and New Zealand. In the former, unemployment fell from 300,000 in 1939 to about 34,000 in 1947, and in 1948 the percentage of unemployed among trade unionists fell to 0.8 per cent, the lowest figure on record. In New Zealand, the number of registered unemployed dropped from 6,300 in 1939 to 30 in 1948. In Switzerland, there were fewer than 900 registered unemployed in the summer of 1948.

Table 16. Unemployment in Certain Countries
1939, 1947, 1948 and 1949
(In thousands)

Country	*1939* [a]	*1947* [a]	*1948* [a]	*1949* [b]
America:				
Canada	386.0	98.0	103.0	. .
United States	9,480.0	1,643.0	1,941.0	3,167.0
Europe:				
Austria	66.0	52.8	54.6	138.7
Belgium	. .	48.0	82.0	175.2
Denmark	88.9	28.8	27.6	48.4
Finland	3.3	4.2	6.0	35.9
France (applicants)	418.4	45.7	77.8	127.3
Germany, UK and US zones	. .	631.2	591.6	1,019.0
Hungary	16.9	79.5	107.1	. .
Ireland	55.2	33.3	35.1	44.1
Italy	. .	2,025.1	1,913.8	2,182.1
Netherlands	235.6	30.7	29.0	50.1
Norway	28.3	8.5	8.5	13.1
Poland	. .	69.4	78.7	. .
Portugal	17.9	1.8	1.5	1.4
Spain	474.8 [c]	138.8	117.0	147.5
Sweden	63.7	24.4	25.7	32.5
Switzerland	36.7	3.5	3.0	7.3
United Kingdom	1,259.6	342.3	325.9	365.4
Asia:				
India	. .	310.0 [d]	224.9	249.6
Japan	237.4 [e]	440.0 [f]	222.0	. .
Oceania:				
Australia	298.0	33.8 [g]	. .	. .
New Zealand	6.3	–	–	–

Note: In Canada, there were 68,300 insured unemployed in 1947, 88,900 in 1948 and 208,800 in 1949. In Belgium, the partially unemployed in 1939 numbered 195,200; in 1947, 19,300; in 1948, 48,000; and in 1949, 64,700. In France, persons on relief numbered 382,000 in 1939, 7,400 in 1947, 16,700 in 1948 and 35,700 in 1949. In the United Kingdom, there were 220,800 temporarily unemployed in 1939, 156,000 in 1947, 8,600 in 1948 and 11,300 in 1949.

[a] Annual averages.
[b] One month in first quarter.
[c] 1940.
[d] Including Pakistan before September.
[e] 1938.
[f] December.
[g] June.

More recent figures for the early months of 1949, shown in the last column of table 16, indicate, however, a slight worsening of the situation in various countries. Some of this is due to normal seasonal increases in unemployment which occur during the winter months in the Northern Hemisphere, but in a few countries the level of unemployment in the first months of 1949 was definitely higher than in the corresponding months of 1948. In Belgium, unemployment has been slowly increasing since the summer of 1948; in March 1949, the number of wholly unemployed was about 170,000, higher than at any time since 1946. In France, the numbers registered and those on relief, though still small compared with pre-war years, have been slowly increasing. Unemployment in Switzerland, which had almost disappeared in the spring of 1948, is now being experienced in many industries.

These increases are due to some extent to a slowing down of demand, after the boom of the immediate post-war years, and to difficulties in export industries. In Canada and the United States, there was a sharp increase in unemployment in the first months of 1949, but it is difficult to determine to what extent this is due to seasonal influences and to what extent to a slackening in the demand for labour.

In all countries there exists a certain minimum of unemployment even in times of great prosperity; it is doubtful if unemployment will fall much below the figures which it reached in certain countries during 1948. In some European countries and in other parts of the world, however, unemployment was severe in 1949. In Italy, for example, it is reported that about 1.85 million workers could not be absorbed into the national economy, and in the western zones of Germany and Austria there were a large number of displaced persons and refugees, as well as a number of nationals, available for work.

The under-developed countries, with their large areas and resources available for development and the low standard of living of many of their inhabitants, present special employment problems. Unfortunately little or no data are available on the employment situation of these countries, but low productivity of labour and under-employment are the chief factors hindering their development—rather than unemployment, in the sense of workers unable to find jobs.

Unemployment and under-employment continued to prevail in most of the countries of the Far East and the Near and Middle East. In China, the number of displaced persons and unemployed has increased considerably with the intensification of internal warfare. The number of refugees was estimated at 55 million at the end of June 1948; about four-fifths of these were displaced by the war. In India and Pakistan, there were some 10 million refugees in 1948, owing to the partition of the subcontinent and protracted political unrest. Although considerable progress has been made in rehabilitating the refugees, the problem is by no means solved. Shortage of raw materials has hindered industrial development and has caused curtailment in a number of industrial centres. In Japan, there were also some 240,000 persons unemployed towards the end of 1948; under-employment accentuated by seasonal fluctuation exists in almost all rural areas in most of the countries of the Far East and Near East.

In the Union of Soviet Socialist Republics, the number of persons employed—estimated at about 30 million in 1940—is estimated to have dropped to about 27 million after the war but has since risen to 33 million. Working hours are estimated to have increased by about 15 per cent since before the war, so that aggregate employment is about 25 per cent higher.

On the whole, therefore, the man-power situation has greatly improved since the war; in some countries employment declined slightly or remained stationary during 1948 and in a few countries there was a sharp increase in unemployment at the end of 1948 and the beginning of 1949, but the level of employment in all countries was substantially above that of the years immediately before the war. Nevertheless the position was still capable of improvement and showed some unsatisfactory features. In many countries, especially in Europe, there was a serious shortage of man-

power; in some there was a lack of workers in certain key occupations and a lack of mobility of labour, both industrially and geographically, which hindered the optimum use of man-power resources. Shortages of raw materials in some cases have prevented the expansion of industries. Moreover, output, especially in Europe, did not appear in 1947 to have increased to the same extent as employment; in 1948, however, output increased significantly more than employment.[1]

Utilization of Man-power

Since 1939, as the tables show, the absorption of unemployed nationals has furnished additional workers but this source is now almost exhausted and other methods are being used for increasing man-power resources and for making more effective use of those available. Measures which have been adopted in various countries include inducements to women to enter the labour market, retention of elderly persons beyond the usual retirement age, increases in hours of work, increase of output per worker, decrease in the rate of labour turnover, direction of labour to essential industries and recruitment of foreign workers.

SHIFTS IN EMPLOYMENT

The increases in available man-power since 1939, shown in table 14, have not affected all branches of economic activity to the same extent. Little comparable information is available on this subject but the evidence seems to show that there has been in most countries a shifting from agricultural to non-agricultural pursuits. This has happened not only in advanced economies such as the United States, where agricultural employment declined between 1940 and 1948 by over 1.5 million, or about 17 per cent, but has been particularly marked in some South American countries, owing to the expansion of industrial and construction activity. In the United Kingdom, on the contrary, special efforts have been made to increase agricultural employment in view of the necessity of decreasing foreign imports of food, and agricultural employment increased from 910,000 in 1939 to nearly 1.11 million at the end of 1948.

Figures available for Germany, the United Kingdom and the United States show that there has been in all these countries a very large increase in the number engaged in public services, while the mining industry, commerce, finance and trade have shown either a decrease or a smaller increase than other groups. Employment in the manufacturing and construction industries has also increased more rapidly than the labour force as a whole in nearly all countries, though the relative expansion or contraction of the different branches of manufacturing has varied considerably in the different countries.

EMPLOYMENT OF WOMEN

An increase of women in employment has taken place in many countries. In the United Kingdom, for example, the increase in the total civilian labour force (i.e., excluding the armed forces), as shown in table 14, was 230,000 from 1939 to the end of 1948, but this was made up of a decrease of about 400,000 males and an increase of more than 600,000 females. During 1948, the Government forecast a decline of 112,000 in the female labour force but it actually increased by nearly 60,000. In the United States, the increase of the civilian labour force in the same period by about 6.5 million since 1939 was made up of about 2 million males and 4.5 million females; in the year 1948 alone the number of employed females increased by 1.3 million, compared with 900,000 males. Similar movements have occurred in other countries in view of the depletion of available male resources, and special measures have been taken in countries with labour shortages to induce women to enter the labour market. For women with household responsibilities this involves special measures to make it possible for them to look after home and children at the same time, to work daily either on a full-time, or a part-time basis. Similarly the greater employment of elderly and retired workers

[1] The secretariat of the Economic Commission for Europe in *Survey of the Economic Situation and Prospects of Europe* (Geneva, 1948), after examining the available data, concluded that productivity per man in European industry was definitely below the pre-war level in 1947. In its economic survey published in 1949, it was estimated that the rate of increase in productivity in 1948 was considerably above the annual rate of increase prior to the war and that the level of productivity approached that of pre-war.

demands special measures for adapting them to suitable work, facilities for retaining pension rights or for working shorter hours.

HOURS OF WORK

Increasing hours of work as a means of increasing labour output has apparently not been adopted to any great extent. Current data on this subject, available for only a few countries, are given in table 17.

Table 17. Hours of Work in Industry in Certain Countries

1939, 1947 and 1948

(Average hours per week)

Country	1939 Average	1947 End of year or average	1948 Specified month
Canada	46.7	38.3	43.0 Oct.
United States	35.6	41.2	40.0 Dec.
Czechoslovakia	45.0	47.7	48.7 Nov.
Finland	45.8	44.8	45.0 Dec.
France	40.7	45.0	44.8 Oct.
Germany, US zone	48.8	39.8	41.0 July
Italy	43.4	44.1	43.8 July
Sweden	45.6	45.5	. .
Switzerland	47.1	47.7	47.5 Dec.
United Kingdom	46.5	45.2	45.3 Oct.

In the United Kingdom, average weekly hours in the principal industries rose from 46.5 in 1938 to 50 during the war years, but fell to slightly over 45 in 1947 and in 1948. In Canada, hours were 46.7 a week in 1939 compared with 43.0 in October 1948; in the United States zone of Germany, they were nearly 49, compared with about 41. In two countries with fairly low working hours before the war, substantial increases have taken place: in the United States, average weekly hours were 35.6 in 1939 and 40 in 1948; in France the average work week was a little over 40 hours in 1939 and about 45 hours in 1947 and 1948—slightly below average weekly hours in the United Kingdom but above those in the United States. In the other countries for which information is available, weekly hours of work showed little change.

When average working hours are low owing to under-employment, an increase of working hours will obviously increase production, but an increase in normal full-time hours may not necessarily increase production. Although average hours in non-agricultural employment in the United States were only 40 at the end of 1948, a period of full employment, there was considerable variation about this average; in fact about 11 per cent were working fewer than 30 hours a week and nearly 10 per cent worked over 54 hours.

LABOUR TURNOVER

A high labour turnover involves wastage of man-power resources, but measures of the amount lost by this means are not available except for one or two countries. Data for the United Kingdom, available for the first time in 1948, show that in the four months ending October 1948, total losses (including death and retirement) in employees of the firms covered by the survey were about 2.3 per cent for men and 3.5 per cent for women. Data for the United States show little change in this respect from 1939; the average varied between 4 and 5 per cent. Rates shown by these two leading industrial countries, even allowing for death and retirement, represent an enormous turnover on an annual basis. Steps which can be taken to reduce labour wastage by a better organization of employment services and by collaboration between employer and worker organizations will result in an economy of man-power resources and an increase of production. In the United Kingdom, steps were taken in 1948 to reduce the time lost by workers between jobs by inviting employers to notify employment exchanges, well in advance, of any labour which became surplus, in order that steps might be taken to find new jobs immediately.

PRODUCTIVITY

On the question of productivity, or output per worker, the opinion of the Economic Commission for Europe was quoted above to the effect that productivity in Europe in 1947 was lower than before the war and in 1948 had approached the pre-war level. Definite evidence on this question is difficult to obtain. Many countries are now seeking to increase production by increasing the output of workers; in view of the high degree of employment in Europe—with the few exceptions noted above—it is realized that further increase in output will have to be brought about by increases in productivity rather than by increases in the labour force. The Trade Union Congress, at the request of the Government of the United Kingdom, is

giving close consideration to this question. The recent establishment of the Anglo-American Joint Council on Production, consisting of employers and workers from both countries, is significant. This body has been surveying conditions of production in order to see how each country may benefit by the experience of the other. Productivity in the United States is generally held to be substantially higher than in the United Kingdom and in Europe; [1] if productivity in countries other than the United States can be raised to the level existing in that country, substantial improvements in the economic situation will result.

Although productivity, in the sense of output per worker per year, may in some cases be increased by longer working hours—and hours of work have substantially increased in a few countries—this is not generally a satisfactory method in the long run. Increase in productivity, in the sense of output per worker per hour, is the desired goal, but it is dependent not only on the worker but on the organization of the plant and on capital equipment. An increase in the amount of capital used may increase productivity more than an increase in the intensity of work.

Changes in output per worker are most difficult to measure. The usual method of dividing the total output by the numbers employed is unsatisfactory, since on the employment side some may be doing little work, and on the output side changes in quality make comparisons in time of doubtful value. There seems, however, little doubt that output per worker at the beginning of 1948 was well below that of pre-war. In coal-mining, where difficulties of measuring output per worker are less great than in other industries, nearly all countries showed a decline in productivity. These declines were due to the effects of the war, the lack of new capital equipment, the increasing obsolescence of existing equipment and also to the recruitment of new and less experienced workers. They have also been due, no doubt, in some countries to the fact that there has been an unsatisfied demand for labour and that in a period of rationing and high taxation, important incentives to maximum production may be lacking. However, countries have begun to pay special attention to this problem; the plans for the European Recovery Program are based on increased productivity in the countries receiving aid. The British Government estimates that productivity must increase by 2.5 per cent per year in each of the next four years if the four-year programme is to be achieved, and it appeared from recent reports that this result was being attained. In view of the importance of this subject at the present time, the International Labour Office is holding a conference of experts in the autumn of 1949 on the best methods of measuring productivity.

[1] See Rostas, "International Comparisons of Productivity," *International Labour Review*, September 1948.

RECRUITMENT AND CONTROLS

Measures have been adopted in some countries to exercise control over the engagement of workers by requiring all vacancies to be notified to the public employment services, preventing workers from voluntarily leaving or changing their employment and by directing applicants for employment into occupations which are considered more essential in the national interest. Such measures were extensively used in many countries during the war but are now little resorted to since they are cumbersome to administer and are resented in many countries as undue interference with individual liberty. Even when in force they tend to be used only as a last resort when other methods have failed. In the United Kingdom, for example, control of engagement and direction of labour exist in certain industries but they have not succeeded in redistributing man-power to the hoped-for extent. The *Economic Survey for 1948*[2] fixed "targets" of 750,000 employees in the coal-mining industry, 760,000 in textiles and 1.11 million in agriculture, but only in agriculture have these numbers been reached. In November 1948 there were 690,000 employees in textiles and 726,000 in coal-mining. On the other hand, of the industries considered "overmanned", building is substantially ahead of the 1.2 million planned for 1948 by 178,000 and the distributive trades are employing 2,406,000, instead of the 2.32 million aimed at. These figures illustrate the difficulties in obtaining a more effective distribution of the population. Employment depends not only on the supply of labour but on the availability of raw materials, machinery, capital equipment and markets; man-power targets can be attained only if all other obstacles are removed.

[2] Cmd. 7344 (1948).

Migration

Another means of overcoming man-power shortages is the encouragement of international migration. The International Labour Office in 1948 began the collection and dissemination of information on man-power shortages in different European countries and on the surplus of workers in those countries who might be available to meet them. Estimates of foreign labour requirements by countries seeking foreign labour and by industries for which they are required are shown in tables 18 and 19. These figures are incomplete since some countries did not supply the requested information, but they cover the principal European countries which are in need of foreign labour. The figures relate moreover only to the number of foreign workers who can be absorbed into the economic life of the country and for whom housing accommodation is available; actual requirements in certain countries, to enable them to attain the scale of production aimed at, are larger.

Table 18. Foreign Labour Requirements of Certain European Countries in 1949 [a]

(Number required)

Country	*Total*	*Male*	*Female*
Total	200,325	153,200	47,125
Long-term	127,825	92,200	35,625
Belgium	13,000	13,000	–
France	76,000	65,000	11,000
Luxembourg	1,625	1,300	325
Netherlands	2,000 [b]	2,000 [b]	–
Sweden	1,700	900	800
Switzerland	17,500	9,000	8,500
United Kingdom	16,000	1,000	15,000
Short-term [c]	72,500	61,000	11,500
France	35,000	35,000	–
Switzerland	37,500	26,000	11,500

[a] Year ending 31 December.
[b] Year ending 30 September 1949.
[c] Under 12 months.

Table 19. Foreign Labour Requirements of Certain European Countries, by Industry First Quarter 1949

(Number required) [a]

Country	*Total*	*Agriculture*	*Textiles*	*Mining and quarrying*	*Metals*	*Engineering*	*Building and construction*	*Food and drink*	*Personal and domestic*	*Miscellaneous*
Total	53,250	21,800	3,750	13,650	1,650	2,250	4,400	200	4,850	700
Male	35,375	12,550	25	13,650	1,650	2,150	4,400	100	450	400
Female	17,875	9,250	3,725	–	–	100	–	100	4,400	300
Belgium	3,300	–	–	3,300	–	–	–	–	–	–
Male	3,300	–	–	3,300	–	–	–	–	–	–
Female	–	–	–	–	–	–	–	–	–	–
France	35,500	20,000	–	10,200	1,600	1,200	2,500	–	–	–
Male	26,500	11,000	–	10,200	1,600	1,200	2,500	–	–	–
Female	9,000	9,000	–	–	–	–	–	–	–	–
Luxembourg	1,050	800	–	–	–	–	200	–	50	–
Male	950	750	–	–	–	–	200	–	–	–
Female	100	50	–	–	–	–	–	–	50	–
Sweden	500	–	50	150	50	50	–	–	200	–
Male	275	–	25	150	50	50	–	–	–	–
Female	225	–	25	–	–	–	–	–	200	–
Switzerland [b]	7,400	–	200	–	–	1,000	100	100	1,600	500
Male	4,350	–	–	–	–	900	100	50	150	275
Female	3,050	–	200	–	–	100	–	50	1,450	225
United Kingdom	5,500	–	3,500	–	–	–	–	–	2,000	–
Male	–	–	–	–	–	–	–	–	–	–
Female	5,500	–	3,500	–	–	–	–	–	2,000	–

[a] Long-term requirements, i.e., one year or over.
[b] Short-term requirements (under 12 months) for Switzerland, as follows: agriculture 1,000, including 800 males and 200 females; building and construction 1,600 males; food and drink, 100, including 50 males and 50 females; personal and domestic service 1,000, including 300 males and 700 females; miscellaneous 200, including 125 males and 75 females; and total 3,900, including 2,875 males and 1,025 females. Foregoing included in totals but not in details above.

Estimated requirements—mostly by France and Switzerland—of foreign workers were 53,000 for the first quarter of 1949 and about 200,000 for the entire year. Male workers were required chiefly in agriculture, coal-mining and metals; female workers, chiefly in textiles and personal services.[1]

These figures are much lower than the estimate of 677,000 workers required by various European countries on 1 January 1947. The figure was subsequently reduced to 380,000 for 1 January 1948 and to 200,000 for 1949. The reductions are due to several causes: part of the earlier demand has been met by the recruitment of foreign workers, as indicated below; many prisoners of war have been granted civilian status; more effective use has been made of national man-power resources; original plans for development have been scaled down in some cases for financial and other reasons; and, finally, the latest figures are probably related more closely to actual requirements of workers than were the earlier estimates. Lack of adequate housing and of shipping facilities are still acute obstacles to the immigration of foreign workers. Although the problem of man-power shortage in Europe is not of such large dimensions as was estimated in 1947, it is still substantial; satisfaction of these demands, particularly in agriculture and in key industries, such as coal mining, would assist economic recovery materially.

There are sufficient workers numerically to meet requirements, according to information collected by the International Labour Office on surpluses available for migration. Although employment is generally at a high level, there are two areas in Europe where unemployment is widespread, namely Italy and the central European countries—Germany and Austria. Over 1.75 million unemployed persons are registered at the public employment offices in Italy; many would be willing to emigrate, either to European or to oversea countries, provided the available jobs were suitable and the conditions were acceptable. The demands, however, are largely for skilled workers and many of the unemployed do not have the necessary qualifications for the vacancies; others are able to emigrate only if their families can accompany them or if they can remit a substantial part of their earnings to their relatives.

The other large pool of surplus European labour is in Germany and is of two kinds. The first are nationals in the western zones whom the authorities consider can be spared; these number 545,000, of whom 500,000 are females. The large surplus of females is due primarily to the effects of the war in greatly reducing the number of men of working age; though few of these women are skilled workers, they could no doubt be placed satisfactorily in personal service, for example, in hotels and hospitals and as domestics. The second group consists of "displaced persons and refugees"—mostly non-Germans. The number of these is not exactly known but the total in all areas receiving assistance from the International Refugee Organization was over 715,000 on 31 December 1948. Of these, over 520,000 were receiving "care and maintenance", i.e., chiefly in assembly centres; 438,500 of them were in the western zones of Germany, 35,300 were in Austria, 16,300 in Italy and the remaining 33,000 in other areas. Over 300,000—chiefly persons of working age—are available for resettlement, and details are available concerning their occupational skills.[1]

The practical job of repatriating or resettling these persons is the task of the International Refugee Organization and by 28 February 1949 over 60,000 refugees had been repatriated, and 40,000 had been resettled.

The facts summarized above, although not complete, indicate that the surpluses available for emigration in Europe are much larger than the numbers which can be absorbed and accommodated at present in Europe. Requirements, moreover, are largely for skilled labour, while the majority of available persons are either not skilled or are without previous work experience.

Some countries have expressed their willingness to accept inexperienced workers and to train them; training schemes in regions of surplus labour are being actively arranged.

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[1] For further details see "Manpower Requirements and Availabilities in Europe in 1948", *International Labour Review*, December 1948.

Conclusion

The man-power problem is thus world-wide in scope. The needs to be met are felt by all countries, though to a varying degree. Essentially, they grow out of the fact that employment opportunities and available man-power do not match, either quantitatively or qualitatively; surpluses and shortages exist simultaneously. Some countries have full employment, some have under-employment and some a labour shortage. All of them suffer from a shortage of skills. Economically under-developed regions are faced with other problems arising out of urgent need to turn their resources to better use by means of industrialization and technical improvements in agriculture.

The lack of skill hampers the international redistribution of man-power through migration. Skills of emigrants must accordingly be adapted to the opportunities for migration, and most of these opportunities are for trained, rather than for untrained, man-power. There is, however, an absence or inadequacy of suitable training facilities in many countries, especially those which are economically under-developed; it is for this reason that the International Labour Organisation, as explained in a later chapter of this report, is now developing its man-power programme so as to render technical assistance to countries in matters of vocational guidance, training and re-training.

Chapter 4

AVAILABILITY OF FOREIGN FUNDS FOR ECONOMIC DEVELOPMENT

by

International Bank for Reconstruction and Development

In the general sense, economic development is the continuous process of capital formation. In a more limited sense—to which the present discussion is confined—economic development is usually associated with the process of capital formation in countries and territories in which the standard of living is below that prevailing generally in western Europe, the United States, Canada, Australia and New Zealand. The term thus refers broadly to Latin America, the Middle East, Asia, Africa, most of eastern and south-eastern Europe and the colonial areas of Oceania.[1]

A number of countries in these areas were severely affected by hostilities during the Second World War and have had to devote their main efforts to restoration of their pre-war physical capital and levels of real income; in some, indeed, there has been continued deterioration since the war, as a result of internal conflicts. But generally it is impossible—and would be misleading—to draw a strict distinction between recovery from the ravages of war and new development. No such distinction is attempted in this survey, although for certain purposes statistical data for the Far Eastern countries, in which new capital development plays as yet only a minor role as compared with rehabilitation and reconstruction, are shown separately from the data for other under-developed areas.

Available statistical data do not permit a succinct quantitative indication of real capital formation in under-developed areas in 1947 and 1948. But there is little doubt that in the major under-developed countries the proportion of gross capital formation to gross national product was high, perhaps not far from the rates of capital formation in some of the western European countries. There is evidence that in 1947 and 1948, gross capital formation in many under-developed countries, for instance, in Chile, Colombia, Mexico, Poland, Southern Rhodesia, Venezuela and Yugoslavia, was within a range of 12 to 18 per cent of the gross national product; in other countries, such as India and some of the Middle Eastern nations, while the rate of capital formation was lower, it was none the less substantial when considered in the light of their lower *per capita* income. The general prevalence of a high and sustained rate of capital formation is also suggested by certain typical phenomena of recent times, such as the rapid drawing down in under-developed countries of gold and exchange holdings accumulated during the war, in part to finance imports of capital goods in conjunction with national development; the persistent shortages of labour, particularly of skilled and professional workers; the shortages of basic foodstuffs, construction materials and machinery and equipment; and the inflationary pressures caused in many cases by deficit financing of official development programmes.

The Role of Foreign Capital

The role of foreign funds in economic development cannot be ascertained very precisely in quantitative terms nor is it possible to generalize as to its significance. It is clear, however, that real capital formation for economic development is essentially a process of utilizing through various means that part of the current national product or the available resources that is not spent on consumption. To that extent, the major factor in economic development is the utilization of the domestic sav-

[1] A more precise criterion of classification would be an internationally comparable measure of income *per capita* in different countries. While the geographical classification used here inevitably leads to errors on this score, it is nevertheless a convenient criterion for the present purpose of considering the broad current of international investment for economic development in the post-war period.

ings—however small—of under-developed countries in appropriate real investments for the purpose of achieving increased production. Foreign savings made available in the form of loans, direct investments or grants are thus a supplement to domestic savings, enabling real capital formation to take place at a higher rate than would otherwise be possible without reducing the level of consumption. The contribution which foreign investment funds may make to economic development should not be underestimated; in some cases, or at some stages of development, foreign investment can be of crucial importance. But it is not the major factor in volume.

The actual rate of domestic investment varies from country to country according to saving habits, investment opportunities, the nature of the existing fiscal and banking mechanisms appropriate for the purpose and social and other factors. Since the pattern of real capital formation in under-developed countries is not usually the result of conscious planning, it should not be too easily assumed that foreign funds will supplement domestic savings in the desired amounts or for the desired purposes. In some cases there is aversion to the use of foreign capital; in others, foreign capital flows in without much co-ordination with the actual development needs of the recipient countries, but more in response to the requirements of the investing areas—as is the case, for instance, with petroleum investments in the past few years and with some aspects of colonial development—and may contribute only indirectly to raising the standard of living.

A large flow of foreign funds into an under-developed country, if it merely enables that country to increase its current level of consumption without making provision for the future, may be a lesser contribution to economic development than a smaller flow of investments in which a larger proportion of resources is currently directed into real capital formation. The absolute amount of foreign funds utilized by a country does not, therefore, provide an accurate measure of the rate at which that country is developing. Moreover, it is not possible to judge, merely by examination of the composition of imports—and particularly the ratio of capital goods to other types of imports—to what extent foreign funds, including accumulated foreign exchange reserves, are actually being utilized for development.

The granting of short-term credits, including assistance by the International Monetary Fund and credits under payments agreements, can be regarded, under certain conditions, as an indirect means of contributing to real capital formation, or sustaining it. Similarly, the influx of flight capital, in so far as it is not sterilized and it permits domestic credit expansion to be based on additional foreign resources, may contribute indirectly to development. Short-term movements in general are a temporary addition to foreign exchange reserves and are therefore an aid to the maintenance of a given rate of capital formation. In many cases they merge with, or cannot be clearly distinguished from, long-term movements. But it is necessary to emphasize that short-term movements of funds must be interpreted with the same qualifications that apply to long-term movements, so far as concerns their role in promoting development, and that their temporary character limits their usefulness as a basis for sustained real capital formation.

Unfortunately there is not sufficiently comprehensive or detailed information available on movements of capital or on domestic capital formation in various countries—particularly the latter—to permit an adequate analysis of the role of foreign investment in economic development, in the light of all the considerations mentioned above. In general, the presently available data merely give some indication of the broad international movements of funds, especially from the United States. This paucity of data must be kept constantly in mind in analysing the significance of the information presented in subsequent sections of this chapter.

Net Outflow of Long-Term Funds in 1947 and 1948

Available balance of payments data for 1947 indicate that both the United States and Canada were net exporters of capital on long term in that year. Preliminary data for 1948 indicate the same general situation in the United States but an apparent reversal in Canada's position.

Information for other countries is not sufficiently complete or adequate even for 1947, but it may be presumed that most countries, both in Europe and in other parts of the world, were net capital importers, or borrowers. Some, such as Argentina, Australia, India and the Union of South Africa, during the same period sustained some outflow of long-term capital through the purchase of foreign-held assets and investments or through the withdrawal of foreign capital. In one or two instances this process may have taken place in amounts exceeding new foreign long-term investments in those countries.[1]

While most western European countries, on the other hand, were net borrowers on long term during 1947 and 1948, some have continued to make substantial new investments in under-developed areas, principally in their colonial territories and the Middle East, and thus are playing an important role in economic development. For the time being, this has been made possible by use of funds derived from the liquidation of investments in areas such as Latin America, Canada, Australia and India, and through the over-all support provided by United States aid to the European Recovery Program.

Capital formation in eastern Europe is also taking place partly with outside assistance. Examples of the latter are the 1946 Swedish loan to the Union of Soviet Socialist Republics, which began to be utilized in 1947, the long-term loans made by the Union of Soviet Socialist Republics to Poland and credits made available by the United States to a number of eastern European countries.

UNITED STATES

The net outflow of funds from the United States in 1947 and 1948 included large amounts of grants and donations, as well as the capital movements traditionally referred to as foreign investments. The various categories of these transactions, with comparable figures for 1946, are listed in table 20.

While the total net outflow of funds decreased from $7,200 million in 1947 to $6,700 million in 1948, private transactions, including donations and remittances, rose from $1,230 million to $1,498 million. Government transactions constituted the bulk of the total movement of funds in both years—$5,600 million (78 per cent) in 1947 and $5,000 million (75 per cent) in 1948. In 1947, however, they consisted chiefly of loans—very largely disbursements under credits to the United Kingdom—whereas in 1948 the major part was in the form of grants under the European

Table 20. Outflow of Long-Term Funds, Grants and Donations: Net Movement from the United States [a]

1946, 1947 and 1948

(In millions of United States dollars)

Type	*1946*	*1947*	*1948* [b]
Net outflow	6,158	7,171	6,693
Total long-term funds	3,281	4,791	1,781
United States Government loans and credits [c]	2,908	3,829	694
Private loans and portfolio transactions [d]	231	16	244
Private direct investments	142	646	650
Disbursements of the Bank [e]	–	300	193
Grants and donations	2,877	2,380	4,912
United States Government grants	2,279	1,812	4,308
Private donations and remittances	598	568	604

Source: United States Department of Commerce and International Bank for Reconstruction and Development.

[a] Net movement of United States funds less net movement of foreign funds. All data represent actual utilization or disbursement of funds, less repayments. Direct investments do not include reinvestments out of earnings of foreign subsidiaries.

[b] Preliminary.

[c] Excluding investment in International Bank for Reconstruction and Development and International Monetary Fund.

[d] Including purchases and sales of long-term United States securities by foreign residents; excluding private subscription of bonds issued by International Bank for Reconstruction and Development or sold from its portfolio and purchases by the International Bank for Reconstruction and Development of United States Government securities.

[e] From statements of the International Bank for Reconstruction and Development; dibursements from dollar funds only. A part of these disbursements was presumably derived from dollar capital of the Bank subscribed by countries other than the United States. That portion is not, of course, properly a United States capital export, but it is impossible to determine the source from which any particular Bank disbursement was made. Disbursements of the Bank are described more fully below.

[1] In most of these cases, the purchase of existing external indebtedness or investments (a reduction of long-term foreign liabilities) has been effected out of previously accumulated restricted or free short-term assets, so that the net effect on the combined short- and long-term position of the country is nil. Looking at the long-term position only, however, there is an outflow of capital (or a "negative inflow"). In so far as long-term capital inflows took place as well, a part of the latter, for instance in Australia and the Union of South Africa, may have been initially in the form of short-term funds which may have become permanently invested.

Recovery Program and other aid programmes.[1] Disbursements in United States currency by the Bank under its loan commitments were $193 million in 1948, compared with $300 million in 1947.[2]

The amount of private capital outflow from the United States in 1947 was affected both by the absence of propitious conditions in the world at large and by strong domestic investment needs. Public and private issues of foreign securities, in particular, were almost negligible in 1947.[3] The magnitude of the domestic absorption of potential investment funds in the United States is indicated by the fact that in 1947 gross private domestic investment was $30,000 million as against current gross private saving of $24,900 million. Gross private domestic investment combined with net foreign lending was still larger—$39,000 million. Against this, however, must be set a budget surplus (net of foreign loans) of $14,000 million, so that investment and saving in the aggregate were equalized at a level of $24,900 million. Table 21 shows the components of gross saving and investment in 1947, together with preliminary data for 1948 and comparable data for 1946, 1935 and 1929.

Table 21. Sources and Use of Gross Saving: United States
1929, 1935, 1946, 1947 and 1948
(In thousand millions of United States dollars)

Item	*1929*	*1935*	*1946*	*1947*	*1948* [a]
Gross investment	15.5	7.9	26.8	24.9	33.9
Gross private domestic investment	15.8	6.2	26.5	30.0	39.7
Net foreign investment (or disinvestment —) [b]	0.8	—0.1	4.7	8.9	1.5
Budget deficit (or surplus —) on income and product account [c]	—1.0	1.9	—4.3	—14.0	—7.3
Gross private saving	15.5	7.9	26.8	24.9	33.9
Personal saving	3.7	1.8	11.8	8.8	14.9
Corporate and other business saving [d]	11.8	6.5	14.0	19.5	23.5
Statistical discrepancy	-	—0.4	1.0	—3.4	—4.5

Source: United States Department of Commerce, *Survey of Current Business,* July 1947 (Supplement), July 1948 and February 1949.

[a] Preliminary.

[b] Excluding unilateral transfers. This figure is not comparable with that for foreign investment in the preceding table, since it is in fact the current account balance of payments surplus minus unilateral transfers, i.e., it takes account, in addition to loans, of short-term capital movements and changes in gold and foreign exchange assets.

[c] Excluding foreign loans and certain other items; therefore not equal to cash surplus, which in 1947 was $6.7 million and in 1948 was approximately nil.

[d] Consisting of undistributed corporate profits, capital consumption allowances, corporate inventory valuation adjustments and excess of wage accruals over disbursements.

During 1948 gross private domestic investment increased substantially, to $39,700 million, while gross private saving was $33,900 million. The net foreign lending component diminished in importance, to $1,500 million, and the budget surplus was also reduced materially, to $7,300 million. The upward trend in the rate of gross private saving is traceable mostly to personal saving, which rose from $8,800 million in 1947 to $14,900 million in 1948. Together with the rise in corporate and business saving, this factor suggests a greater availability of private funds for foreign investment, particularly in the second half of 1948. During that period there were privately placed, chiefly

[1] In the second half of 1948 repayment of government loans actually exceeded disbursements. This is explained in large measure, however, by the repayment by Canada to the Export-Import Bank of drawings of $140 million on a loan obtained the year before. This repayment transaction was offset almost simultaneously by the subscription by private United States capital of $150 million of Canadian Government securities, so that the net effect of these two transactions in 1948 was a shift from a government to a private outflow of funds.

[2] Including dollar disbursements outside the United States, which were approximately $62 million in 1947 and $49 million in 1948. In addition to these amounts, there were disbursements of $6 million, representing exports of capital by other countries, namely, the proceeds of the sale in Switzerland of the equivalent of $4 million of International Bank for Reconstruction and Development Swiss franc bonds and the equivalent of $2 million in Belgian francs made available by Belgium out of its local currency subscription to the Bank.

[3] New foreign issues placed in the United States, excluding refunding operations, were $18.1 million in 1947 (Milton Abelson, "Movement of Private United States Capital to Foreign Countries in 1947", *Foreign Commerce Weekly,* 21 August 1948, page 3). This does not take account of the issuance in the United States of $250 million of bonds of the International Bank for Reconstruction and Development.

with insurance companies, $150 million of Canadian Government securities and part of a $250 million bond issue of a United States subsidiary of Anglo-Dutch petroleum interests.

The situation in 1947 and 1948 is in sharp contrast to that in 1935, when full offsetting of domestic private savings was achieved only through budget deficit, and net foreign investment did not contribute to the absorption of savings. Recent conditions are more nearly comparable with those prevailing in 1929, although in that year the nature of private foreign investment, mostly through bond purchases, was in striking contrast to the present preponderance of direct investments.

CANADA

In the case of Canada, as shown in table 22 below, there was a large total net outflow of funds in 1946 and 1947. In both years, as in the United States, the outflow was chiefly accounted for by Government lending and grants. Of a total of $737 million [1] in 1947, $493 million represented the net utilization of official loans and credits to foreign countries; $196 million, the net of private loans, long-term security transactions, including repayments and redemptions, and direct investments; and $48 million, the net of official and private grants, donations and remittances. In the private sector as a whole, however, the net outflow was the result mainly of the amortization and redemption of foreign-held Canadian securities in an amount greatly in excess of the inflow of private capital.

Table 22. Outflow of Long-Term Funds, Grants and Donations: Net Movement from Canada
1946, 1947 and 1948
(In millions of Canadian dollars)

Type	*1946*	*1947*	*1948* [a]
Total net outflow	771	737	−27
Total long-term funds	693	689	−46
Government loans and credits [b]	775	493	−46
Private loans and portfolio transactions	−68	258	
Private direct investments	−14	−62	
Total grants and donations	78	48	19
Government grants	97	38	19
Private donations and remittances	−19	10	. .

Source: International Monetary Fund, *Balance of Payments Yearbook*, 1948; Dominion Bureau of Statistics, *The Canadian Balance of International Payments, Preliminary Statement, 1948.*

[a] Preliminary.

[b] Less repayments and amortization; excludes subscription to International Monetary Fund and International Bank for Reconstruction and Development.

[1] Throughout this section, figures represent Canadian dollars.

The preliminary data for 1948 indicate that Canada's large post-war net outflow of long-term funds has ceased and that there may even have been a small net inflow in that year. This was the result of a combination of circumstances, of which the main elements were the following: On the one hand, the utilization by other governments of Canadian credits was reduced to $142 million and was partly offset by repayments of $80 million; furthermore, the Canadian Government placed a bond issue of $150 million in the United States private capital market. On the other hand, the total outflow of funds for the retirement of public and private Canadian securities held abroad was less than in 1947 and only moderately exceeded the inflow of private capital, which continued to contribute substantially to the development of petroleum, iron ore and other activities in Canada. The net result of all these transactions was an estimated inflow of $46 million. This was offset by an outflow of $19 million in the form of Canadian Government grants.

A noteworthy element in the Canadian situation is the fact that, in view of the high level of gross private domestic investment in relation to gross private saving, the Government's post-war foreign lending has necessitated a considerable volume of public saving in the form of a budget surplus, as shown in table 23. Preliminary data for 1948 indicate an increased availability of private saving, but not sufficient fully to meet the Canadian economy's gross private investment needs.

Table 23. Sources and Use of Gross Saving: Canada
1946, 1947 and 1948
(In millions of Canadian dollars)

Item	1946	1947	1948 [a]
Gross investment	2,238	2,209	2,825
Gross private domestic investment	1,788	2,923	3,090
Net foreign investment [b]	326	17	419
Budget deficit (or surplus —) on income and product account [c]	116	—811	—845
Statistical adjustment	8	80	161
Gross private saving	2,238	2,209	2,825
Personal saving	961	650	1,146
Corporate business saving [d]	1,286	1,639	1,841
Statistical discrepancy	—9	—80	—162

Source: Canada, Dominion Bureau of Statistics, *National Accounts, Income and Expenditure 1938-1948, Revised* (Ottawa, March 1949).

[a] Preliminary.

[b] Excluding unilateral transfers; this figure is not comparable with that for foreign investment in the preceding table, since it is in fact the current account balance of payments surplus, minus unilateral transfers, i.e., it takes account, in addition to loans, of short-term capital movements and changes in gold and foreign exchange assets.

[c] Excluding foreign loans.

[d] Includes inventory valuation and other adjustments.

Despite considerable post-war lending and the outflow of funds for the retirement of Canadian securities held abroad, Canada is still substantially a debtor country on long-term account. It is important to note that the 1946 and 1947 capital outflow, which was largely for the purpose of financing the current account surplus with Europe, was accompanied by a sharp reduction of gold and United States dollar holdings [1] to meet a heavy import surplus with the United States. There was not, particularly in 1947, a large over-all current surplus. Such a surplus did develop in 1948, but was used primarily to replenish the depleted gold and dollar reserves.[2] The prospect of substantial net foreign lending by Canada in the future depends in part upon the outlook for a large current account surplus and in part upon the Canadian Government's policy with regard to the level of its foreign exchange reserves. Some Canadian direct investments abroad are, in any event, likely to continue and, together with the outflow of funds for the redemption of foreign-held Canadian securities, to help increase investment funds in other countries.

OTHER COUNTRIES

The situation in most western European countries has been one of tightening conditions in the capital market in view of high capital requirements for reconstruction. Domestic saving has been insufficient and has had to be supplemented by net disinvestment abroad and the receipt of loans and grants.

The case of the United Kingdom is a good illustration of the insufficiency of domestic private saving, as may be seen in table 24.

Table 24. Gross Capital Formation and Sources of Saving: United Kingdom
1938, 1947 and 1948
(In millions of pounds sterling)

Item	1938	1947	1948
Gross capital formation	770	2,040	2,352
Private saving [a]	789	1,751	1,805
Budget deficit (—) or surplus	—89	—341	427
Net borrowing abroad	70	630	120

Source: National Income and Expenditure of the United Kingdom, 1946 to 1948 (Cmd. 7649).

[a] Personal saving, undistributed profits, depreciation allowances, addition to company tax reserves and Government transfers to private capital account (indemnities, etc.).

Nevertheless, as indicated above, new investments abroad did not cease during 1947 and 1948 on the part of the United Kingdom and other European countries; on the contrary, there is evidence that direct investments took place in both colonial and other areas in substantial amounts. Some account of such movements is given below.

As already stated, other countries that have normally been net long-term capital importers, such as Argentina, Australia, India and the Union of South Africa, may have been long-term exporters in 1947 and 1948, if account is taken of the purchase of existing foreign assets, chiefly external debt, railways and other public utilities. This has been achieved through the utilization of accumulated foreign exchange holdings, mainly sterling, and is not a normal trend. There has also been some voluntary repatriation of foreign capital.

[1] A decline of $262 million in 1946 and $744 million in 1947, from a total of $1,514 million at the end of 1946 (*International Financial Statistics,* February 1949).

[2] A rise of $498 million to a level of $1,006 million at the end of 1948 (*ibid.*).

Funds Available to Under-developed Areas in 1947 and 1948

It appears from the above discussion that during the past two years the United States has been the most important source of long-term funds—including grants—to the rest of the world, and that a number of other countries supplied lesser amounts.

The total amount of long-term funds, grants and donations moving from different sources into under-developed areas, including grants for purposes of reconstruction in the Far East, appears to have been in the neighbourhood of $1,500 million in 1947 and $1,800 million in 1948. This estimate does not take account of reinvestments by subsidiary enterprises out of earnings obtained in the countries in which they operate; the amount of such reinvestments is not known, but it undoubtedly constitutes a significant supplement to the figure mentioned. In Latin America and the Far East most of the funds derived from the United States; in other areas a large part was provided by the United Kingdom, France, Belgium and the Netherlands, although most of these countries were at the same time importers of capital from the United States. Because data for the United States are more readily available and are more comprehensive and detailed than for other countries, the following discussion refers mainly to the United States, although loans and investments by other countries are mentioned. Information on colonial investments and other related fields of investment is scanty and incomplete, and this account can be considered only a rough indication of what is taking place.

OUTFLOW OF FUNDS FROM THE UNITED STATES TO UNDER-DEVELOPED AREAS

For convenience, the net outflow of funds from the United States to under-developed areas, consisting of government loans and grants, private portfolio transactions, direct investments and private unilateral transfers, can be considered for the following three broad groupings: the Latin American republics; the Middle East, Africa, India and European colonial dependencies (except Malaya and Indonesia); and the Far East, including British Malaya, China, Indonesia, Japan, Korea and the Philippines—where grants for rehabilitation and reconstruction from the effects of the war have accounted for the major part of the inflow. Table 25 shows that the total amount of funds provided by the United States directly to under-developed countries was $1,202 million in 1947 and $1,340 million in 1948.[1]

In both years, almost half of the movement of funds from the United States to the under-developed areas was through private channels. The information by principal areas, however, shows a striking contrast between the Far East and the other under-developed areas. In the latter, the outflow of private capital constituted the major part of the total amount of United States funds going to them, whereas in the Far East the bulk has been in the form of government grants. The distribution of the United States Government transactions by area shows that in Latin America and the Middle East-Africa-India group, net disbursements by the Export-Import Bank and surplus property credits account for a large part, whereas in the Far East, United States Government grants far outweigh credit operations.

Of the total outflow of funds, government and private, to under-developed areas in the two years, 1947 and 1948, Latin America received 22 per cent. A further 23 per cent went to the Middle East-Africa-India group. The remainder was directed to the Far East. A more detailed analysis follows.

Outflow of private funds

The net outflow of private funds from the United States in 1947, including donations and remittances, was $1,230 million, of which portfolio and direct investments together accounted for $662 million.[2] The latter amount was larger than in any year since 1927, when a total of

[1] In addition, as has been noted earlier, the outflow of funds from the United States to more highly developed countries, notably in western Europe, has had the effect of stimulating or making possible capital exports by those countries to under-developed areas. However, no estimate of the effect of this factor is possible.

[2] The subscription in the United States to bonds of the International Bank for Reconstruction and Development is not included in this figure. The actual disbursements by the Bank have been considered separately (see table 20 above).

$1,037 million was recorded.[1] In contrast to the whole decade of the 1920's, however, when 91 per cent of United States long-term capital outflow took the form of purchases of foreign dollar bonds,[2] in 1947 and 1948 approximately 90 per cent was in the form of direct investment, largely in foreign subsidiaries and branches of United States corporations.

Table 25. Long-Term Funds, Grants and Donations to Under-developed Areas: Net Outflow from United States, by Area [a]
1947 and 1948 [a]
(In millions of United States dollars)

Type	Total		Latin American republics		Middle East, Africa, India and colonial dependencies [b]		Far East [c]	
	1947	1948	1947	1948	1947	1948	1947	1948
Total net outflow	1,202 [d]	1,340 [d]	327	234 [d]	270 [d]	304 [d]	605 [d]	802 [d]
Total long-term funds	533	452 [d]	294	206 [d]	190	194 [d]	49	52
Government loans and credits	147	48 [d]	60	38 [d]	64	21 [d]	23	−11
Export-Import Bank	64	27	46	28	8 [e]	11 [e]	10	−12
Other	83	21 [d]	14	10 [d]	56	10 [d]	13	1
Private loans and portfolio transactions	−66	−46	−57	−62	2	3	−11	13
United States capital	−63	−59	−61	−53	2	—	−4	−6
Foreign capital	−3	13	4	−9	—	3	−7	19
Private direct investments	452 [f]	450 [f]	291	230 [d]	124	170	37	50
Total grants and donations	669 [d]	888 [d]	33	28 [d]	80 [d]	110 [d]	556 [d]	750 [d]
Government grants	502	710 [d]	9	10 [d]	— [g]	— [g]	493	700 [d]
Private donations and remittances	167 [d]	178 [d]	24	18	80 [d]	110 [d]	63 [d]	50 [d]

Source: Based on data of United States Department of Commerce and United States Export-Import Bank of Washington.

[a] Net movement of United States funds, minus net movement of foreign funds. All data represent actual utilization or disbursement of funds, less repayments. For other general notes, see table 20. All 1948 data are preliminary and subject to revision.

[b] Excluding British Malaya and Indonesia.

[c] British Malaya, China, Indonesia, Japan, Korea and Philippines. The bulk of the net Government grants to this area in 1947 and about one-half in 1948 went to Japan and Korea.

[d] Estimated.

[e] Including Turkey.

[f] Excluding $124 million in 1947 and $25 million in 1948 accounted for by ships sold by the United States Maritime Commission to United States-owned or -controlled operators registered under foreign flags, largely in connexion with the petroleum industry but not clearly allocable to under-developed areas.

[g] Grants by the Economic Cooperation Administration to colonial dependencies of countries in the European Recovery Program in this group in 1948 are not included.

Of the total of $1,230 million indicated above as representing the outflow of private funds in 1947, an estimated $553 million, or 45 per cent, was directed to under-developed areas. Of this amount, $452 million was direct investment; a further $167 million represented private donations and remittances. Partially offsetting these movements was the net inflow of $66 million in connexion with debt retirement and amortization of existing assets.

Preliminary data for 1948 indicate a total outflow of private funds from the United States of $1,498 million, an increase of 21 per cent over the previous year. The net movement to development areas was, however, only 5 per cent greater than in 1947—$582 million as against $553 million; the main element was direct investment in the amount of $450 million, offset by a net inflow of portfolio funds of $46 million (smaller than in 1947); the remainder was an outflow of $178 million in the form of private donations and remittances.

Of the $452 million and $450 million of direct investments by the United States in development areas in 1947 and 1948, $291 million and $230 million, respectively, went to Latin America. The

[1] United States Department of Commerce, *The United States in the World Economy*, table 1.

[2] Milton Abelson, *loc. cit.*

amounts invested in the Middle East and Africa were smaller—$124 million in 1947 and $170 million in 1948—but their proportion of the total rose from roughly one-fourth in the former year to almost one-third in the latter. Direct investments in the Far East were relatively small, though there was a rise from $37 million in 1947 to $50 million in 1948.

A striking feature of direct investments in the under-developed areas as a whole is the concentration of over 60 per cent of the total in the petroleum industry. Venezuela, Saudi Arabia and Kuwait have been by far the major recipients, but it is noteworthy that, as stated by the United States Department of Commerce in its review of American private foreign investment in 1947, "there was an increase of American capital invested in the petroleum industry in every one but a handful of countries for which the Department of Commerce has information on this subject." [1]

United States private investments in other than the petroleum industry took place mostly in manufacturing industries in Argentina and Brazil, in mining in Chile, Mexico and the Union of South Africa, in public utilities in various Latin American countries and in distribution and miscellaneous activities. Small amounts of United States private capital appear to have been invested in agricultural development.

United States Government transactions

Long-term loans and credits by the United States Government to under-developed areas in 1947 and 1948 were provided mainly through the Export-Import Bank of Washington. In 1947, its gross disbursements for that purpose were $105.3 million; net of repayments of principal, the outflow of funds was $63.9 million. In 1948, both gross and net disbursements to under-developed areas declined; they amounted to $93.9 million and $26.7 million, respectively. Latin America received the largest net disbursements in both years—$46.0 million in 1947 and $27.8 million in 1948. The Far East received $10.4 million net in 1947 but in 1948 made net repayments of $12.1 million. The remaining $7.5 million in 1947 and $11.0 million in 1948 were disbursed principally to Turkey and Egypt.

Loans authorized by the Export-Import Bank to development areas exceeded its net disbursements to such areas in 1947. The total of new loan authorizations in that year was $91.2 million. Latin America received $77.6 million of this total and the remaining $13.6 went chiefly to Turkey and Egypt. During 1948, cancellations and expirations exceeded new authorizations in the amount of $42.3 million, mainly in connexion with loans to the Middle East and the Far East, but there were net new authorizations to Latin America of $45.7 million.

As on 31 December 1948, the balance of loans to under-developed areas not yet disbursed was $255.6 million, of which $193.3 million was committed to Latin America, $29.2 million to Middle Eastern countries (mainly Turkey, Egypt and Ethiopia) and $33.1 million to Far Eastern countries. It is to be noted, however, that in 1948 there was a downward trend in both new loan commitments and actual disbursements, while an upward trend was evidenced in repayments of principal. Table 26 summarizes the 1947 and 1948 transactions of the Export-Import Bank with under-developed areas.

The Export-Import Bank's total lending authority at the end of 1948 was $3,500 million. At the same date its total loans outstanding were $2,138.4 million and undisbursed commitments were $391.2 million, leaving $970.4 million available for loan commitments. Additional funds will become available from payments on past loans. Early in 1949 loans for development projects totalling $100.4 million were authorized to Israel and Turkey.

In addition to the transactions by the Export-Import Bank, other long-term credit ouflows of the United States Government to the development areas consisted for the most part of surplus property and miscellaneous credits—$83 million in 1947 and an estimated $21 million in 1948.

Unilateral transfers of the United States Gov-

[1] Milton Abelson, *loc. cit.* United States direct investments in petroleum in all foreign countries, including the sale of ships, reached in 1947 a record of $455 million, or 70 per cent of the total American direct investments abroad in that year. It is probable that a substantial share of direct investments by other countries was also in petroleum development.

ernment, mainly consisting of rehabilitation grants and war compensation payments to the Far East, were an important element in transactions with the under-developed areas in both the years under review; in fact, such unilateral transfers far exceeded governmental loans and credits. Their amount was $502 million in 1947, of which $493 million went to the Far East, the rest to Latin America, and an estimated $710 million in 1948, of which about $10 million went to Latin America.

Table 26. Export-Import Bank Loans to Under-developed Areas, by Region
1947 and 1948
(In millions of United States dollars)

Year and item	*Total*	*Latin America*	*Middle East and Africa* [a]	*Far East* [b]
1947:				
Loans authorized	91.2	77.6	13.6	—
Principal disbursed	105.3	71.2	7.8	26.3
Less principal repaid	41.4	25.2	0.3	15.9
Net disbursements of principal	63.9	46.0	7.5	10.4
1948:				
Loans authorized	—42.3 [c]	45.7	—14.0 [c]	—74.0 [c]
Principal disbursed	93.9	59.2	13.6	21.1
Less principal repaid	67.2	31.4	2.6	33.2
Net disbursement of principal	26.7	27.8	11.0	—12.1
Balance not disbursed as on 31 December 1948	255.6	193.3	29.2	33.1
Loans outstanding as on 31 December 1948	382.4	290.9	23.8	67.7

Source: Based on data of the Export-Import Bank of Washington.
[a] Angola, Egypt, Ethiopia, Iran, Saudi Arabia and Turkey.
[b] China, Indonesia and Japan.
[c] Cancellations and expirations exceeded new authorization.

COLONIAL DEVELOPMENT

As stated above, long-term capital outflows from other countries in 1947 and 1948 are not readily ascertainable. There is scattered evidence of capital exports by some European countries, including Belgium, France, Italy, Netherlands, Portugal, Sweden, Switzerland, Union of Soviet Socialist Republics and United Kingdom; it must be remembered, in any case, that most of these countries were net borrowers on long term.

United Kingdom

One important field of British foreign investment in the past two years has been petroleum development in the Caribbean and the Middle East. A part of the new investment has taken place in association with Netherlands and other European capital. Although precise data are not available, an indication of the scale of such investments is provided by the fact that in Venezuela alone the assets of the operating companies which together constitute the Royal Dutch-Shell group increased by some $50 million in 1947 and some $80 to $100 million in 1948.[1] Additional evidence is provided by the raising in 1947 of the equivalent of $270 million of new capital in Europe by the same Anglo-Dutch petroleum interests. It is known, furthermore, that petroleum investments play an important role in the long-term recovery programme of the United Kingdom, as a means of reducing the dollar drain on the sterling area.[2]

Output of crude petroleum by British and Anglo-Dutch interests in Venezuela, the Middle East, Trinidad, British Borneo and other oversea dependencies, which increased from 46 million metric tons in 1946 to 54 million in 1947 and some 64 million in 1948, is expected to reach ap-

[1] Based on data from annual reports of Venezuela Oil Concessions, Ltd., which account for two-thirds of the group's output in Venezuela, and from other information.

[2] *European Co-operation: Memoranda submitted* [by the United Kingdom] *to the OECC relating to Economic Affairs in the period 1949 to 1953* (Cmd. 7572, December 1948) pages 20, 21, 57 and 58.

proximately 108 million by 1953.[1] In addition, refineries and pipe-lines are under construction or in process of expansion in Venezuela, the Middle East, the East Indies and other areas. Oversea refinery capacity alone is to be increased by more than 40 per cent over the 1947 level. In the light of the partial data cited above and the statements regarding future development, and assuming that much of the groundwork for this development has been laid in the past two years, it is not unreasonable to estimate Anglo-Dutch petroleum investments abroad at the equivalent of some $400 million over the two years 1947 and 1948, and those of other British petroleum interests at close to $200 million in the same period.[2]

Development of British oversea dependencies is a prime objective of United Kingdom economic policy. It is recognized that a high level of real capital formation in the colonies can be achieved only by net investments from abroad (chiefly from the United Kingdom) supported by a high level of imports of capital goods and manufactured consumption goods.[3] A large part of the investment is to be concentrated on basic services, but development of raw materials and food exports is to take place concurrently.[4] Under various legislative provisions for financing development projects and plans in the British colonies, moderate amounts of metropolitan public capital were invested before 1945, disbursements under a 1940 act having reached £10 million ($40 million). In 1945, a new Colonial Development and Welfare Act provided for assistance to the colonies at the rate of £12 million per year for 10 years, with a ceiling of £17.5 million in any given year. The amount approved over the two-year period, 1946 and 1947, however, was £21.7 million (approximately $87 million)—the bulk of it in the form of grants—and actual disbursements did not exceed £9 million during the same period. In 1948 disbursements were over £6 million. In addition to grants, the development plans envisage the raising of large sums by colonial governments on the London market.[5]

Further encouragement to British colonial development was given by the passage in February 1948 of the Overseas Resources Development Act, which established the Colonial Development Corporation, authorized to borrow up to £110 million ($443 million), and the Overseas Food Corporation, which is to operate only partially in the colonies, with borrowing powers of £55 million ($221 million). In the first year of its operation, the Overseas Food Corporation invested about £20 million in the Tanganyika ground-nuts scheme. While recourse will be had primarily to funds in the United Kingdom, the plans also envisage, for a part of the total, "the possibilities, still under examination, of ECA loans and finance from the International Bank." [6] These new official schemes for investment in the United Kingdom's colonies—some of which are already in progress—foresee direct investments by the corporations as well as participation with private capital and long-term credits to private enterprise. Private direct and portfolio investments are taking place simultaneously, through funds raised in the London capital market and through transfers accompanying emigrants to the colonies.

That the United Kingdom exported long-term private capital in 1947 and 1948 is also to be inferred from data on authorized new capital issues in Great Britain.[7] Foreign issues (i.e., non-Empire) were negligible; they amounted to £3.0 million in 1947 and only £1.1 million in 1948. But British oversea issues were £30.5 million ($122 million) in 1947 and £37.0 million ($148 million) in 1948. Of these totals, Dominion and colonial government issues, excluding conversions —among them Southern Rhodesia and Trinidad— accounted together for £8.9 million in 1947 and £8.2 million in 1948; the remainder consisted largely of issues by South African and other mining enterprises and the oil companies. In addition, companies operating both in the United Kingdom

[1] *Ibid.*, page 20.

[2] Data given recently in the United Kingdom Government's *Economic Survey for 1949* (Cmd. 7647), appendix, page 50, appear to confirm these estimates. Gross investment overseas in the petroleum industry is shown (without any detail) as £66 million in 1947 and £83 million in 1948, equivalent to a total of roughly $596 million.

[3] United Kingdom memoranda (Cmd. 7572), *op. cit.*, page 35.

[4] Part of the United Kingdom's colonial investment is, of course, to restore war-damaged productive capacity in south-east Asia.

[5] For example, an issue recently authorized by United Kingdom authorities will enable the East African Railways and Harbours Administration to raise £17.5 million over the next few years on the London market.

[6] United Kingdom memoranda on *European Co-operation* (Cmd. 7572), *op. cit.*, page 38.

[7] *Midland Bank Review* (London, February 1949), page 14.

and abroad account for amounts not included in the totals for British oversea countries.

France

Only a small part of the development expenditures of French oversea dependencies is normally met out of local capital resources. Since the war a new instrument for the financing of colonial development has been created, known as FIDES (Fonds d'Investissements pour le Développement Economique et Social des Territoires d'Outre-Mer). The funds of FIDES are derived from three sources: grants from the French Government; direct contributions of the territories themselves—a minor proportion—and loans from the Caisse Centrale de la France d'Outre-Mer, the new bank of issue for oversea territories which, in fact, manages FIDES.

The recipients of these funds, in the form of both grants and loans, are principally the territories, but a considerable proportion is accorded to research institutions and direct investments in mixed companies. By the middle of 1948 the funds known to be committed to FIDES totalled some 58,000 million metropolitan francs (approximately $200 million). Of this sum, 6,200 million was disbursed in 1946 and 1947—almost all in 1947—and another 19,700 million was expected to be required in 1948, making a total of 25,900 million (about $90 million) to the end of 1948. The balance of 32,500 million will be used in 1949 and 1950. This does not, of course, exclude the possibility of further metropolitan assistance being made available for 1949 and 1950. The Caisse Centrale also makes long- and medium-term advances to private borrowers; disbursements by mid-1948 had not exceeded 500 million francs ($1.6 million).

Although the subvention of the French Government was only about a third of the total by mid-1948, its share is expected to increase rapidly thereafter; of the 58,000 million francs so far committed, it is to provide one-half.

The operations of FIDES do not extend to the entire French Union, but only to the central African territories, Madagascar and the Oceanic Islands. The four territories which were made departments in 1947—Guiana, Guadeloupe, Martinique and Réunion—were formerly under the aegis of FIDES, but are now under that of a similar fund, FIDOM. Its resources are small compared with those of FIDES. Another fund, FIDIC, has also been set up for Indochina. In addition, developmental investments also take place in North Africa through private and public channels.

Other European countries

Belgium, besides effecting new investments abroad through Belgian holding companies in association with other international capital (for which data are not at present available), has assisted financially and materially in the development of the Belgian Congo in the past few years. In 1946, the metropolitan government contributed 2,200 million Belgian francs to the Congo budget as compensation for expenditures incurred by the Congo during the war. This amount—equivalent to approximately $50 million—was allocated by the Congo Government to a development agency, the Fonds du Bien-Etre Indigène, and in part to the Institut pour la Recherche Scientifique en Afrique Centrale. In June 1948, public debt certificates were issued in Belgium in the amount of 1,200 million francs ($27 million), the proceeds to be allocated to the same agencies. Actual disbursements in 1947 and 1948 are not known, nor is information available concerning the volume of private investments.

The Netherlands and Portugal have also contributed capital to their colonial possessions—together, probably more than $100 million in the last two years, allowing for reconstruction and other expenditures in Indonesia. Comprehensive data are lacking.

In the colonial field, it may be concluded that the main limitation to the use of external capital funds for development lies at present in the overstrained conditions of the capital markets of the metropolitan countries and in the shortage of exportable capital equipment. A further limitation is the dollar shortage, which restricts the use of metropolitan funds for equipment and materials from hard currency areas. The Economic Cooperation Administration grants western European countries help to mitigate these difficulties in some degree and thereby to contribute to the economic development of the colonies and dependencies of the countries.

OTHER COUNTRIES

Data on capital exports by other countries are very fragmentary. Mention may be made, however, of Argentina, Sweden and the Union of Soviet Socialist Republics as apparent long-term capital exporters to under-developed areas in 1947 and 1948.

Sweden granted the Union of Soviet Socialist Republics, in October 1946, a long-term credit in the amount of 1000 million kronor ($280 million), to be disbursed at the rate of 200 to 300 million kronor per year, repayable in 15 years. Actual utilization of this credit in 1947 and 1948 appears to have been small. According to one estimate, it did not exceed 60 million kronor ($17 million) by the end of 1948, and is not expected to exceed an additional 100 million kronor ($28 million) in 1949.[1]

The Union of Soviet Socialist Republics has granted two loans to Poland in the past two years: the first, in March 1947, for the equivalent of $28 million in gold, repayable in 13 years; the second, in January 1948, for the equivalent of $450 million, repayable in ten years. The gold loan is reported to have been utilized to the amount of $20 million in 1947. It is not known at what rate the second of these loans is being utilized; one-third of it is ear-marked for the erection of an iron and steel plant to be completed by 1956.

Argentina in the past two years announced its intention to grant long-term loans for economic development in neighbouring countries—Bolivia, $187.5 million and Chile, $150 million—which have not, however, become effective. An agreement signed with Spain in 1948 granted the latter annual credits which may aggregate 1,750 million Argentine pesos by 1951 (approximately $410 million), at the rate of 350 million pesos per year. Although the latter credits are in the nature of payments agreements credits, the annual peso obligation is converted into Spanish currency, a portion of which is to be used by Argentina for investments in Spain and the final outstanding balance is to be payable by Spain in ten years. Some Argentine investments in Brazil, Paraguay and Uruguay and Brazilian investments in Uruguay are also known to have taken place. Similarly, international investments have taken place between other Latin American countries. This is a process that may be expected to grow in importance, but it is not likely in the near future to constitute a significant proportion of total international long-term capital movements.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT [2]

The Bank committed $497 million of its funds in 1947 and $28 million in 1948. Actual disbursements out of United States dollar funds were $300 million and $193 million, respectively, in addition to the equivalent of $6 million in Swiss and Belgian currencies. The total commitments to 31 December 1948 included two development loans, totaling $16 million, for hydro-electric equipment and agricultural machinery in Chile; the loans became effective, however, only at the beginning of 1949, so that no disbursements for development were made by the Bank in 1948. Early in 1949, loan agreements were signed with Mexico—for $34.1 million for hydro-electric development—and with Brazil—for $75 million for the same purpose and for telephone expansion. At the same time, negotiations were in progress with a number of other under-developed countries.

The Bank's dollar funds on hand as on 31 December 1948 amounted to about $480 million. For further loanable funds, it is empowered to sell additional amounts of its own bonds or to market securities from its portfolio. It may also guarantee private foreign loans. The Bank hopes further to obtain additional authorizations for the use of some part of the 18 per cent local currency subscriptions paid in by members other than the United States. The release by Canada, early in 1949, of $8 million in Canadian dollars out of its subscription to the Bank, and of £500,000 by the United Kingdom, is indicative of progress in this respect.

So far the disbursements of the International Bank for Reconstruction and Development have served mainly as a vehicle for capital exports from the United States, and for that reason are included in the United States balance of payments as a

[1] *Finanstidningen* (Stockholm, 18 Dec. 1948).

[2] A fuller discussion of the Bank's organization, resources and development activities is contained in its annual reports and in the section on the Bank in part IV of this report.

separate item in long-term capital movements (table 20). But in fact a part of the $493 million disbursed by the Bank out of dollar capital in 1947 and 1948 is not, properly speaking, a United States capital export, since $98.3 million of the $733.3 million of Bank capital subscribed in United States dollars and gold was subscribed and paid in by countries other than the United States. Thus a part of the Bank's disbursements may properly be considered a capital outflow of such other countries. In addition, as stated above, the equivalent of $4 million in Swiss francs was raised by the Bank through a bond issue in Switzerland and subsequently disbursed, and the equivalent of $2 million was disbursed out of Belgian franc capital of the Bank with the consent of the Belgian Government. It is evident that as the Bank is able to sell non-dollar bonds in different countries and to make increasing use of its non-dollar capital, its disbursements will begin to be a significant item of capital export in the balances of payments of other countries.

Part IV

INTERNATIONAL ACTION IN THE ECONOMIC FIELD

Chapter 1

UNITED NATIONS

General Assembly

Economic questions on the agenda of the General Assembly at its third session in Paris [1] included several items in the Economic and Social Council's annual report,[2] problems of trade discrimination and food wastage and certain matters relating to information from Non-Self-Governing Territories.

Economic development and technical assistance. The Assembly requested the Economic and Social Council and the specialized agencies to consider further the urgent problem of the economic development of under-developed countries and appropriated $288,000 with which the Secretary-General in 1949 might arrange for the provision of technical assistance to Member Governments and other forms of aid, particularly in the training of technicians. An International Centre for Training in Public Administration under United Nations auspices was authorized for 1950. The International Labour Organisation was requested to consider how best to facilitate the admission of workers to the world's training centres.

The Economic and Social Council was asked to expedite consideration of an economic commission for the Middle East.

Food wastage. Member States were asked by the Assembly to give high priority to measures for avoiding food wastage, and the Economic and Social Council was called upon to continue its consideration of means to increase the world's food supply.

Trade discrimination. The Second, or Economic and Financial, Committee of the General Assembly discussed problems of international trade discrimination but no action was taken.

Economic statistics. The Assembly voted to transfer to the United Nations all the functions of the League of Nations relating to economic statistics.

Aid for children. Reiterating a previous appeal to Members by the Economic and Social Council, the Assembly emphasized the need for prompt contributions to the United Nations International Children's Emergency Fund. The Assembly continued the United Nations Appeal for Children in 1949 and placed its administrative organization and the proceeds of future collections under the International Children's Emergency Fund.

Specialized agencies. The Economic and Social Council and the Secretary-General were requested to continue their efforts towards better administrative, budgetary and programme co-ordination between the United Nations and the specialized agencies.

The Assembly approved draft agreements, recommended by the Economic and Social Council, bringing the Inter-governmental Maritime Consultative Organization and the International Refugee Organization into relation with the United Nations as specialized agencies.

Information from Non-Self-Governing Territories. The Assembly reconstituted for 1949 a Special Committee to examine information required in Article 73e of the Charter on economic, social and educational conditions in the Non-Self-Governing Territories (other than Trust Territories) and to make procedural and substantive recommendations.

The Assembly also drew the attention of Member States administering the Non-Self-Governing Territories to the arrangements being made for technical assistance to under-developed countries and invited the Secretary-General to provide for an exchange of data between the Special Committee and the Economic and Social Council and to inform the Special Committee of any technical assistance rendered.

[1] Part I, 21 September to 12 December 1948; for resolutions see United Nations document A/810.

[2] For report of the Council's sixth and seventh sessions, discussed below, see *Report of the Economic and Social Council to the General Assembly*, A/625.

Economic and Social Council

The Economic and Social Council held three sessions in the period under review: the sixth at Lake Success, New York, in February and March 1948; the seventh at Geneva, Switzerland, in July and August 1948 and the eighth at Lake Success in February and March 1949.[1]

Economic reports. For its annual review of the current world economic situation,[2] the Council had before it a number of reports prepared by the Secretariat, including *Economic Report: Salient Features of the World Economic Situation 1945-47* for the sixth session,[3] *Selected World Economic Indices* for the seventh and *Major Economic Changes in 1948* for the eighth.[4]

Commissions. The reports of its commissions [5] were reviewed by the Council during this period. On the suggestion of the Economic and Employment Commission, the Council informed Member Governments that the Secretary-General was in a position to arrange for advice by international teams of experts to Member Governments on their economic development programmes.

The Council endorsed a number of recommendations of the Transport and Communications Commission, including those relating to the need for studies of the inland transport situation in Latin America and in Asia and the Far East, and to a conference of governments to be called by the Secretary-General not later than August 1949 for the purpose of a new world-wide convention on road and motor transport.

The Council also instructed the Secretary-General to report to the Transport and Communications Commission on the action taken by the Safety-of-Life-at-Sea Conference, convened by the United Kingdom in London during the spring of 1948.

The Council approved the International Standard Industrial Classification of all economic activities, developed by the Statistical Commission, and recommended its use to all Member Governments. The Council instructed the Secretary-General to encourage consultation among representatives of national statistical agencies, especially in Europe. The Statistical Commission was invited to study the needs of statistically under-developed countries and the Secretary-General was requested to formulate an international programme to meet these needs.

The Council established an Economic Commission for Latin America at its sixth session. It also appointed an *ad hoc* Committee to study factors bearing upon the establishment of an economic commission for the Middle East. The *ad hoc* Committee reported in favour of the establishment of such a commission, but action was postponed by the Council at its seventh and eighth sessions.

At its seventh session the Council established a Bureau of Flood Control within the framework of the Economic Commission for Asia and the Far East and suggested that the Commission recommend policies to promote industry, agriculture and trade in its region. At the same session the Council referred the proposal for an economic conference of the Amazon Basin countries to the Economic Commission for Latin America.

The Council at its seventh session noted with satisfaction that the Economic Commission for Europe had established a committee on industrial development and foreign trade, requested a progress report on activities in this field and a factual analysis of the possibilities of economic reconstruction, through the development of the under-industrialized countries in Europe and an expansion of intra-European trade. A *Progress Report on the Activities of the Economic Commission for Europe in the Field of Industrial Development and Trade* was therefore submitted to the eighth session of the Council.

Economic development and technical assistance. Following the action of the General Assembly at its third session, the Council requested the Secretary-

[1] For resolutions adopted during each session see the following printed documents: sixth, E/777; seventh, E/1065; and eighth, E/1310.

[2] Full text of debates in *Supplement to the Economic Report,* March 1948 and *Supplement to Major Economic Changes in 1948,* June 1949.

[3] Among the reports prepared by the Secretariat for other bodies, which the Council considered at its sixth session, were *Survey of Current Inflationary and Deflationary Tendencies; Foreign Exchange Position of the Devastated Countries; Financial Needs of the Devastated Countries;* and *Economic Development in Selected Countries: Plans, Programmes and Agencies.*

[4] Available to the Council at this session were a number of reports, including *National and International Action to Achieve or Maintain Full Employment and Economic Stability* (E/1111) and *Review of International Commodity Problems, 1948.*

[5] Except the Fiscal Commission, which did not meet during 1948.

General, in consultation with the executive heads of the specialized agencies concerned, to prepare a comprehensive, expanded programme of technical assistance to under-developed countries to be presented to its ninth session.

The Council requested the Secretary-General to prepare a report on certain aspects of the problem of economic development in the light of which it might make appropriate submissions to the General Assembly, in accordance with the Assembly's request at its third session.

The Secretary-General during 1948 made provision for technical assistance to several Member Governments at their request. In particular, at the Haitian Government's request, a mission composed of twelve experts from the United Nations and various specialized agencies examined the problems of economic development in that country.

In February 1949 the Secretary-General sent a memorandum to all Member Governments explaining the arrangements made and the procedure to be followed in requesting fellowships for their nationals for training and study abroad.

Twelve-week statistical institutes for training local personnel in the collection of data were planned for 1949 under the sponsorship of the United Nations Secretariat, the Food and Agriculture Organization of the United Nations and the host governments for the institutes.

Food shortage and wastage. The Council early in 1948 called upon the regional economic commissions, in consultation with the Food and Agriculture Organization, to study measures to increase food production. At its eighth session, the Council requested a study of problems of food wastage and means of improving food production, marketing, storage and distribution, as suggested by the General Assembly at its third session.

Scientific conference. The Economic and Social Council decided that the United Nations Scientific Conference on the Conservation and Utilization of Resources should be held at Lake Success, New York, during August and September 1949. Arrangements were made for leading scientists, engineers, economists and other experts from more than seventy-five countries to attend the Conference in order to exchange information on the conservation and utilization of resources.

Aid for children. At each of the sessions under review, the Council, upon examination of the reports of the Executive Board of the International Children's Emergency Fund, commended the work of the organization and suggested that governments continue their contributions. The peoples of the world were also urged to give the fullest support to the United Nations Appeal for Children.

Co-ordination with specialized agencies. To avoid duplication of work in the economic and social fields, the Council at its sixth session requested the specialized agencies, the Secretary-General and the commissions to report annually on their current activities and work programmes for the subsequent year. These reports were submitted to the seventh session, when they were discussed by the Council. The Secretariat, at the request of the Council, prepared a *Catalogue of Economic and Social Projects* and the annual *Comparative Review of the Activities and Work Programmes of the United Nations and the Specialized Agencies in the Economic and Social Field.*

ECONOMIC AND EMPLOYMENT COMMISSION

The Economic and Employment Commission held its third session in April and May 1948.[1] The major topics of discussion were the purposes and methods of economic development; the provision of expert assistance to under-developed countries; economic stability, with emphasis on the causes and consequences of inflation; and the organization and terms of reference of the Economic and Employment Commission and its subcommissions.

The Commission concurred in the findings of its Sub-Commission on Economic Development regarding the objectives and manner of achieving economic development. Although, as the Sub-Commission stated, the capital required for this purpose must come "largely from the effort of the people concerned, from the improvement of their national economic structures and from increased national productivity", the Commission recognized that considerable foreign financing would be necessary. A draft resolution on national and international financing of economic development was

[1] For report, see *Official Records of the Economic and Social Council,* third year, seventh session, Supplement No. 1.

proposed, but was not approved by the Economic and Social Council and was returned to the Commission for further consideration.

In its examination of the first report from the Sub-Commission on Employment and Economic Stability, the Commission drew attention to differences in patterns of inflation and relative rates of economic growth in various countries and also to important factors contributing towards inflation, such as excessive military expenditure and activities of speculators. The Commission stressed particularly the need for a positive approach towards fighting inflation through emphasis on economic action designed to increase the production of essential goods. The Commission also suggested that the countries concerned should undertake effective measures to halt domestic inflationary processes, for example, by the rationing of essential goods, coupled with price control, and by progressive income taxation. It was considered that measures should be applied in such a way as not to cause unemployment.

Sub-Commission on Employment and Economic Stability. The Sub-Commission on Employment and Economic Stability held its second session in April 1948 and completed its report to the Economic and Employment Commission on the international aspects of inflation,[1] its causes, consequences and remedies. Several studies prepared by the Secretariat were available for this session.[2]

The Sub-Commission, at its third session in April 1949, considered the problem of the maintenance of full employment and reviewed the plans of governments and international organizations for maintaining full employment and economic stability.[3] Several documents, prepared by the Secretariat, were also before the Sub-Commission.[4] The report of the Sub-Commission emphasized the interrelations between the problems of maintaining domestic employment and balancing foreign trade.[5] The Sub-Commission recommended that the development of immediate measures to counteract recession be discussed at the ninth session of the Economic and Social Council.

Sub-Commission on Economic Development. The Sub-Commission on Economic Development devoted its second session in June 1948 largely to a discussion of technical assistance for economic development and made a series of recommendations in its second report to the Economic and Employment Commission.[6]

The Secretariat prepared a report on *Economic Development in Selected Countries: Plans, Programmes and Agencies* and, for the third session, *Post-War Price Relations in Trade between Under-developed and Industrialized Countries*. The Sub-Commission gave consideration to the Secretariat's report on *Technical Assistance for Economic Development available through the United Nations and Specialized Agencies* which the Economic and Social Council had requested for distribution to Members.

The third session in March and April 1949 was devoted almost entirely to discussion of the mobilization of financial resources for economic development of under-developed countries. In its report,[7] the Sub-Commission dealt with both domestic and foreign aspects of financing, and stressed the supplemental character, rather than primary role, of foreign financing in economic development.

STATISTICAL COMMISSION

At its third session [8] in April and May 1948, the Commission devoted particular attention to the problems of securing standard international classifications and to developing, improving and rendering comparable the current economic statistics made available by different countries.

The Commission initiated work on the preparation of a standard list of commodities for international trade statistics. In shaping its programme for the development of international statistics, the Commission gave priority to the presentation of standards for indices of industrial production, prices, national income, transport and international trade.

The Statistical Office of the Secretariat continued the regular publication of the *Monthly*

[1] E/CN.1/55.
[2] *Cf.* discussion of economic reports at sixth session of Economic and Social Council.
[3] E/1111 and E/1111/Add. 1 to 5.
[4] Including *The Problem of Balance of Payments Difficulties in the Maintenance of Full Employment; The Structure of Full Employment and Price-Wage-Tax Subsidies Policies as Instruments in Maintaining Optimal Employment.*
[5] E/CN.1/66.
[6] E/CN.1/61.
[7] E/CN.1/65.
[8] For report, see E/795.

Bulletin of Statistics and issued a *Supplement* of definitions and explanatory notes. The Statistical Office was actively engaged in the preparation of a *Statistical Year-Book* and a *Demographic Year-Book;* among its other publications were a volume on *National Income Statistics* and a series of statistical papers.

TRANSPORT AND COMMUNICATIONS COMMISSION

The Commission held its second session[1] in Geneva in April 1948 and its third session at Lake Success in March 1949.[2]

At the request of the Commission, the Secretariat prepared a preliminary study on economic and technical statistics needed in the transport field, which was submitted to the Commission for consideration at its third session and will also be submitted to the Statistical Commission.

The Commission decided that Member Governments should be invited to express their views on the problems of measurement of maritime tonnage, and on recommendations of the International Chamber of Commerce for reduction in the number of documents required in international transport of goods and abolition of the transit manifest.

With respect to transport problems in Latin America, the Commission decided to ascertain the views of Latin American governments on maritime shipping matters, including freight rates affecting Latin America.

The Commission considered the problem of the co-ordination of inland transport submitted to it by the International Labour Office, and examined a preliminary report prepared by the Secretariat on this matter. The Commission requested the Secretariat to ascertain the advisability of a formal survey by the Secretary-General.

The periodic publication, *Transport and Communications Review,* prepared by the Secretariat, covers international aspects of various transport and communications problems.

FISCAL COMMISSION

At its second session at Lake Success in January 1949, the Fiscal Commission prepared several draft resolutions,[3] covering the Secretariat's work programme and including a proposal to continue technical assistance in fiscal matters and a recommendation that Members of the United Nations actively pursue a policy of negotiating bilateral agreements for the avoidance of double taxation.

In the field of public finance, the Secretariat published *Public Debt 1914-1946* and *Public Finance Data 1936-1948*. In addition, the Fiscal Division of the Secretariat collaborated in the preparation of a questionnaire to governments on annual and monthly public finance data. The Secretariat also published a volume of *International Tax Agreements* and embarked upon a study of major trends shown therein. With the aid of governmental replies to a questionnaire, it assembled material on certain aspects of domestic tax systems in their application to foreign nationals, assets and transactions and prepared for publication information on administrative practices in various countries for the assessment and collection of taxes. On the basis of this information, the Secretariat also initiated a study of the effects of tax measures on foreign trade and investment.

The Fiscal Commission recommended the continuation of the above studies and several additional research projects in the fields of international tax relations and fiscal policy.

POPULATION COMMISSION

The Population Commission, at the three sessions held during 1947 and 1948,[4] considered several major demographic problems and arranged for studies by the Population Division of the Secretariat.

The Commission made a series of recommendations concerned with improvement in the quality and international comparability of population data derived from censuses, vital registration or migration statistics. It recommended subjects to be included in population censuses to be taken in or around 1950 and material to be included in the *Demographic Year-Book*. A programme of studies relating to migration statistics was organized.

The Population Division prepared a series of

[1] For report, see E/789.
[2] For report, see E/CN.2/65/Rev. 1.
[3] For report, see E/1104.
[4] For reports, see E/267, first session, February 1947; E/571, second session, August 1947; and E/805, third session, May 1948.

reports on census methods, in collaboration with the Statistical Office and specialized agencies, and a background study on improvement in migration statistics. In addition, the Division contributed to the *Demographic Year-Book* and compiled a multilingual demographic dictionary.

ECONOMIC COMMISSION FOR EUROPE

The Economic Commission for Europe held its third session in April and May 1948 and its fourth session in May 1949. In preparation for these sessions, the secretariat prepared annual surveys of the European economy: *A Survey of the Economic Situation and Prospects of Europe* was issued in 1948 and the *Economic Survey of Europe in 1948* was published in 1949.

All of the principal committees of the Commission—except the Manpower Committee—met in the interval between Commission sessions and took action on the problems within their technical fields.[1]

The Coal Committee worked towards the achievement of European self-sufficiency in coal, by recommending methods of increasing production and improving utilization of coal, and by recommending allocations of available supplies. The secretariat continued issuance of a *Bulletin of Monthly Coal Statistics* and a *Weekly Statistical Report*. The Committee on Electric Power studied projects for increasing European electrical generating capacity and means of making the most advantageous use of available electrical energy.

The Industry and Materials Committee was concerned with problems in the fields of engineering, chemicals, industrial materials and building. The Steel Committee recommended steps to increase production and improve utilization of steel in Europe. Secretariat studies were made on the production and consumption of steel in Europe as well as on the raw materials essential for steel making.

The Inland Transport Committee continued its efforts to better the European transport situation, not only by recommending improved technical methods, but also by suggesting simplification of transport regulations.

The *ad hoc* Committee on Agricultural Problems studied means of expanding European agricultural production and trade. The Timber Committee has been concerned with problems of increasing European timber production and improved utilization of supplies. Studies of timber consumption and economics were made by the secretariat, which issued a *Quarterly Bulletin of Timber Statistics*.

The Committee on the Development of Trade, convened provisionally, studied questions concerned with the expansion of intra-European trade and trade between European and non-European countries. At the request of the Committee, the Executive Secretary of the Commission prepared a *Preliminary Study of the Potentialities for the Expansion of European Trade*.

ECONOMIC COMMISSION FOR ASIA AND THE FAR EAST

The Commission held its third session in June 1948 in Ootacamund, India, and its fourth session in November and December 1948 in Lapstone, Australia.[2] The *Economic Survey of Asia and the Far East, 1947,* prepared by the secretariat, was available to the Commission.

The Commission, at its fourth session, called the attention of the governments concerned to the recommendations of the Working Party on Industrial Development, which made detailed studies of the major aspects of economic and industrial development of the region, compiled national estimates of requirements for short-term and long-term development plans, inquired into the capital needs of the countries and proposed steps to mitigate the shortage of iron and steel in the region. The Commission also decided that a Committee of the Whole be convened to examine further the report of the Working Party. The Committee of the Whole met in Bangkok, Siam, early in 1949 and established a Committee on Industry and Trade, with sub-committees on iron and steel and on travel facilities.

Attention of member governments was called by the Commission to the recommendations of the FAO-ECAFE Joint Working Party on Agricultural Requisites. Member countries were urged to make intensive studies of the extent to which their present agricultural practices constitute obstacles

[1] For a full account of the activities of the Commission and its subsidiary bodies, see E/791 and E/1074.

[2] For reports of these sessions, see E/839 and E/1088.

to the adoption of new techniques. It was decided to call a regional conference of officials engaged in agricultural reconstruction as soon as practicable after adequate preparations were made.

The Commission also prepared measures to promote trade, including a recommendation that member governments continue to explore the possibility of maximizing their trade with Japan. The Commission instructed the secretariat to intensify the work on technical assistance and to report on fields of economic development that are handicapped by lack of trained personnel.

ECONOMIC COMMISSION FOR LATIN AMERICA

At its initial session in June 1948 in Santiago, Chile,[1] the Commission instructed its Executive Secretary to undertake a general economic survey of Latin America for presentation to the May 1949 session of the Commission.

A joint working party was established by the Commission and the Food and Agriculture Organization to make a study of the possibilities of increasing food production in Latin America by eliminating shortages of certain items, such as farm machinery, fertilizers, pesticides, fuel, transport and storage and terminal facilities. The working party, organized in Mexico City during the latter part of October 1948, visited all Latin American countries, investigating agricultural production facilities and gathering information for the report.

The Commission also adopted resolutions providing for co-ordination of its work with that of the Inter-American Economic and Social Council; for a preliminary study of the needs of Latin American countries for technical and administrative personnel and facilities for technical training; and pledged its support to the population census and the world census of agriculture to be taken in or around 1950.

AD HOC COMMITTEE ON AN ECONOMIC COMMISSION FOR THE MIDDLE EAST

The *ad hoc* Committee, set up by the Economic and Social Council to study the factors bearing upon the establishment of an economic commission for the Middle East, met at Lake Success during April and May 1948. The Secretariat prepared studies on a number of subjects, including inflation, foreign trade and development in the Middle East. The Committee noted the urgent economic problems arising directly or indirectly from the war or from current world economic maladjustments, which have subjected the Middle Eastern countries to severe strain.

The Committee in its report [2] to the Economic and Social Council recommended that an economic commission be established for the Middle East with the following countries as members: Afghanistan, Egypt, Ethiopia, Greece, Iran, Iraq, Lebanon, Saudi Arabia, Syria, Turkey and Yemen; new members might be admitted by the Council after consultation with the commission. The Committee made further recommendations on the terms of reference, geographical scope and administrative status of the proposed commission.

INTERIM CO-ORDINATING COMMITTEE FOR INTERNATIONAL COMMODITY AGREEMENTS

This Committee was created by the Economic and Social Council to facilitate inter-governmental action on commodity problems. The Chairman of the Committee is nominated by the Interim Committee of the International Trade Organization, one member is nominated by the Food and Agriculture Organization and another member is particularly concerned with non-agricultural primary commodities. The Committee held its first session in August and September 1947 in Geneva and its second session in September 1948.

The Committee has co-ordinated the work of various international organizations concerned with commodity matters and related their activities to the United Nations.

With the Food and Agriculture Organization, the Committee sponsored an international Rice Meeting in the Philippines in March 1948, to stimulate co-operative action on the rice shortage. As a result, an International Rice Commission was created.

The Committee's publications include the *Review of International Commodity Arrangements* (November 1947) and the *Review of Interna-*

[1] For the report of this session, see E/840.

[2] E/AC.26/16. Action on this report was postponed by the Council at its seventh and eighth sessions.

tional Commodity Problems, 1948. These publications deal in some detail with trends in production, consumption, stocks and prices of a number of primary commodities. Various inter-governmental commodity arrangements are also examined.

UNITED NATIONS INTERNATIONAL CHILDREN'S EMERGENCY FUND

The programmes of this organization have included the provision of special protective foods—milk, fats and cod-liver oil—for over 4½ million daily supplementary meals to children and nursing and pregnant mothers in Europe, Asia and the Middle East; a vaccination campaign against tuberculosis aiming to test 50 million children in Europe and North Africa and to provide immunization where necessary through the use of BCG vaccine; the supply of raw materials worth $5 million for local manufacture into children's clothing for free distribution; training facilities for short practical courses in social pediatrics; a $5 million project to assist twelve European countries to increase the supply of pasteurized and powdered milk; emergency relief of $6,411,000 in Palestine and adjacent areas to supply food, blankets and medical items for children and mothers; cod-liver oil and materials for clothing for German children; and aid in the amount of $2 million to national anti-syphilis campaigns to protect children.

By 4 February 1949, the contributions and pledges to the organization amounted to approximately $116.7 million, of which about 65 per cent came from governments, 26 per cent from residual assets of the United Nations Relief and Rehabilitation Administration and 9 per cent from campaigns of the United Nations Appeal for Children and private contributions.

ADMINISTRATIVE COMMITTEE ON CO-ORDINATION

The Committee consists of the Secretary-General and the chief administrative officers of the specialized agencies and is designed to ensure the greatest possible measure of co-operation among the international agencies thus represented. It has established a Preparatory Committee of deputies to assist it in its work. It is also assisted by a number of subsidiary bodies, composed of officials of the various agencies who are technically competent in specific administrative, economic and social fields.

Through this machinery, inter-agency study has been given to such questions as a calendar of conferences, co-ordinated sale and distribution of documents, statistical programmes, co-ordination of regional activities, budgetary matters and, most recently, a comprehensive programme of technical assistance.

ECONOMIC ACTIVITIES OF THE TRUSTEESHIP COUNCIL

The observations and recommendations of the Trusteeship Council on economic conditions in seven Trust Territories—Ruanda-Urundi, New Guinea, Tanganyika, Togoland under British administration, Western Samoa, and Cameroons under British and under French administration—emphasized that the indigenous inhabitants should receive an increasing share of the wealth of the country, that economic development plans should be designed to benefit them and that in some areas tax systems should be examined to eliminate undue hardship and direct taxation be introduced on the basis of individual capacity to pay. In several areas the Trusteeship Council recommended that wages be raised to improve the standard of living. Recommendations further included encouragement of a suitable labour code in the Cameroons under French administration and enforcement of labour legislation in Tanganyika. The Council suggested diversification of production through the introduction of secondary industries in Western Samoa and Tanganyika.

Other Council recommendations included a new large-scale programme for famine prevention in Ruanda-Urundi, the growing of cash crops for export in New Guinea, further consideration of the ground-nut scheme and its effects upon the inhabitants in Tanganyika, periodic review of the Administering Authority's policy with respect to the cocoa industry in Togoland under British administration, measures to protect the economy of Western Samoa against a fall in copra and cocoa prices and improvement in communications to facilitate trade and commerce in the Cameroons under British administration.

Chapter 2

SPECIALIZED AGENCIES[1]

International Labour Organisation

During 1948, the work of the International Labour Organisation in the economic field was mainly concerned with man-power problems, including employment service organization, vocational guidance, vocational training and retraining, migration and certain aspects of wage policy. Consideration was also given to other economic questions, particularly to problems involved in the maintenance of full employment. Although most other activities of the organization were primarily social in character, many of them have important economic aspects.[2]

MAN-POWER

In March 1948, the Governing Body set up, from its own members, a tripartite Manpower Committee to advise on the formulation of a manpower programme for the European region. Subsequently, in December 1948, the Governing Body set up a similar Asian Manpower Committee and it is expected that a Latin American Manpower Committee will be established.

Close co-operation has been maintained between ILO and the United Nations, the specialized agencies and other international organizations whose programmes have a direct bearing upon the work of ILO with respect to man-power. The ILO has co-operated with the Economic Commission for Europe, which established a Manpower Committee in March 1948; with the Organisation for European Economic Co-operation, which also set up a special Manpower Committee; and with the International Refugee Organization, concerning the training and resettlement of displaced persons under the care of the latter in Europe. In addition, ILO has co-operated with the Economic Commission for Asia and the Far East and with the Economic Commission for Latin America.

Employment service organization. At its thirty-first session in June 1948, the International Labour Conference adopted a Convention and a Recommendation [3] concerning principles and standards in the organization of national employment services. The Convention calls for the creation in each country of a national public employment service to be assisted, as appropriate, by advisory committees including representatives of employers and workers. The Convention outlines the basic tasks of the employment service and sets forth guiding principles for the recruitment of employment service staff. The Recommendation lists the tasks which the services should assume and provides for international co-operation among employment services. It indicates desirable studies to be undertaken and proposes an annual national man-power budget as part of a general economic survey for each country.

The ILO has undertaken to provide technical assistance to countries requesting aid in organizing employment services and to call together technical experts on a regional basis to consider specific operational problems. For example, an expert in the employment service field was assigned to work with the Government of China throughout the year 1948 and a meeting of experts was held in London in December 1948. The meeting discussed occupational nomenclature, the technical organization of placement and the recruitment and training of employment service staff. The ILO has placed

[1] This chapter provides a summary account of the activities of specialized agencies whose work is primarily concerned with economic matters. The summaries have been provided by the specialized agencies concerned, with the exception of the Interim Commission for the International Trade Organization and the Preparatory Committee for the Inter-governmental Maritime Consultative Organization; for these, the account has been prepared on the basis of official reports issued by the agencies.

[2] For a fuller account of the activities of the International Labour Organisation in 1948, see *Second and Third Reports of the International Labour Organisation to the United Nations* (Geneva: International Labour Office, 1948 and 1949).

[3] International Labour Office, *Official Bulletin,* Vol. XXXI, No. 1 (Geneva, 1948).

special emphasis on studies of occupational nomenclature with a view to the standardization of such nomenclature both nationally and internationally.

The ILO has also undertaken the preparation of a series of handbooks on methods used by employment services in various countries, for governments desirous of organizing or reorganizing their employment services.

The industrial committees of ILO have held tripartite discussions which, in a number of cases, have dealt with problems of recruitment. In preparation for the meetings of the industrial committees, reports are prepared outlining particular questions in the industry concerned. For example, a report was prepared for the Inland Transport Committee on the decasualization of dock labour.[1]

Vocational guidance. The principles and methods applicable to vocational guidance were discussed by the thirty-first session of the International Labour Conference at San Francisco in 1948, on the basis of a report prepared by ILO.[2] Following full discussion, the Conference approved principles for a Recommendation[3] which it was planned to submit for final discussion at the session to be held in Geneva in June 1949, after the views of governments had been received.

Information concerning vocational guidance is collected in the special documentation centre of ILO, described below, and is made available to persons and organizations concerned.

Vocational training. The ILO has placed special emphasis, in its man-power programme, on methods of training young and adult skilled workers, both in factories and in special centres, and on the training of supervisors.

The Governing Body placed the question of the vocational training of adults—including the disabled—on the agenda of the 1950 session of the International Labour Conference, with a view to the adoption of a recommendation. In preparation for this session, a tripartite technical conference of experts on training was expected to be convened to examine proposals submitted by the International Labour Office on the basis of the views of member governments. This discussion was expected to supplement Recommendations adopted by the Conference in 1939 concerning vocational training and apprenticeship, particularly with respect to young persons.[4]

During 1948 ILO undertook a series of practical activities in the field of vocational training, geared to the special needs of various regions and individual countries. Arrangements were made for the International Labour Office to serve as a centre for the regular and rapid exchange of information on training and retraining. The Office has been collecting practical documentation of world-wide scope on problems and methods of vocational training. A series of monographs concerning the training of adults in selected countries was to be issued; those for Belgium, the United Kingdom and the United States have been published [5] and others are in preparation. In addition, the Office has been preparing a periodical annotated bibliography on vocational guidance, vocational training and other aspects of the man-power programme.

Experts with first-hand knowledge of various types of training in government services or private industry have been engaged by ILO and their experience is being made available to countries requiring technical assistance and advice. Missions have been organized to ascertain the needs and facilities of various countries and possible methods of improving or developing such facilities.

In Europe, missions were sent to France, Belgium, Netherlands and the Scandinavian countries to advise on the training of supervisors; a mission was sent to Italy on general training problems. In addition, a mission visited the displaced persons camps maintained in Germany by the International Refugee Organization, in order to assist in planning a programme for the training of refugees and displaced persons. In response to a request of the Manpower Committee of the Organisation

[1] International Labour Organisation, *Decasualisation of Dock Labour,* Report II, third session of the Inland Transport Committee (Geneva, 1949).

[2] International Labour Conference, *Vocational Guidance,* Report V (1), thirty-first session, San Francisco, 1948 (Geneva, 1947).

[3] International Labour Conference, *Vocational Guidance,* Report IX (1), thirty-second session, Geneva, 1949 (Geneva, 1948).

[4] The Vocational Training Recommendation, 1939 and the Apprenticeship Recommendations, 1939; text reproduced in International Labour Office, *The International Labour Code,* 1939 (Montreal, 1941), articles 264 to 283 and articles 286 to 291.

[5] International Labour Office, *Vocational Training of Adults in the United Kingdom, Belgium, and the United States,* Vocational Training Monographs 1, 2 and 3 (Geneva, 1948).

for European Economic Co-operation to initiate an international training course for supervisors, a meeting of European experts, representing governments, employers and workers, was held in Geneva from 30 March to 2 April 1949 to consider the most appropriate methods for such training. This meeting witnessed practical demonstrations of methods for training supervisors in France, Switzerland, the United Kingdom and the United States. The meeting adopted a series of recommendations to guide the Office in further planning its programme of supervisory training adapted to European needs. It is intended to institute courses of training for small numbers of supervisors; a first course of this kind was in preparation for the second half of April 1949.

Special training problems of under-developed areas are being given particular consideration by ILO. An ILO expert in 1948 visited many Asian countries and prepared a report on *Training Problems in the Far East*[1] which was also submitted to the Economic Commission for Asia and the Far East; it has provided the groundwork for further action. In addition to the Asian Manpower Committee, an Asian field office of ILO has been established to furnish information on methods of technical training and to provide practical assistance in organizing and improving training systems in Asia. The field office will also assist in making arrangements for periods of observation and training abroad for nationals of the countries of the region and will co-operate closely with the Economic Commission for Asia and the Far East.

An ILO expert is visiting a number of countries in Latin America in order to survey, in co-operation with the Economic Commission for Latin America, needs and facilities for technical training and to make suggestions for practical action in this field by ILO. An opportunity to discuss the special problems of Latin America in the training field was afforded by the meeting of the fourth conference of the American States Members of the ILO in Montevideo in April 1949.

Industrial committees of ILO, consisting of representatives of governments, employers and workers from the countries most concerned with the given industry, have taken a keen interest in training problems on an industry-wide basis. The Textiles Committee, which met in October and November 1948 had before it a report on recruitment of man-power and vocational training in that industry.[2] It agreed on a number of practical proposals for international co-operation, including regular exchange of information and encouragement to training of technicians and vocational training instructors by international exchanges or loans of technicians and instructors, organization of training courses and admission of foreign trainees to courses organized for national workers. The ILO was to co-ordinate the proposed arrangements. A resolution containing somewhat similar suggestions was approved in November 1948 by the Petroleum Committee, which also had before it a report prepared by ILO on the subject.[3] The Governing Body in December approved the various proposals.

Migration. The ILO during 1948 laid stress on both the labour surplus and the shortage aspects of migration. Arrangements were made, as part of the man-power programme authorized in March 1948, to collect and exchange information concerning surpluses and requirements of man-power in Europe. A first questionnaire was sent on 3 May 1948 to twenty-two European members of the organization, the three western zones of Germany and the International Refugee Organization; additional inquiries were made in November 1948 and during 1949. Reports on the requirements for foreign workers in European countries and the supply of workers available for migration were circulated on 1 October and 12 November 1948 and on 17 and 31 January 1949. Future inquiries will be made on a world-wide basis at six-month intervals.

The International Labour Office also undertook the preparation of lists of definitions and classifications for an occupational nomenclature, based on replies of governments to a request for precise definitions of occupations for prospective foreign workers and skills of workers available for emigration, and on the definitions used by the Interna-

[1] International Labour Office, Studies and Reports, New Series, No. 11 (Geneva, 1948).

[2] International Labour Organisation, *Employment Problems, with special reference to Recruiting and Training*, Report II, second session of the Textiles Committee (Geneva, 1948).

[3] International Labour Organisation, *Recruitment and Training*, Report II, second session of the Petroleum Committee (Geneva, 1948).

tional Refugee Organization and a number of countries. The definitions, in English and French, of the duties of nearly a hundred occupations were subsequently considered by the meeting of employment service experts of European countries, referred to above, which recommended that the Office continue work on the question.

The formulation of general standards concerning the appropriate organization of migration, from the point of view of ensuring the best use of the available labour force and of protecting the migrants and the national labour force of the country of immigration, has been undertaken by the Permanent Migration Committee of ILO and was to be considered by the International Labour Conference at its session in June 1949.

The Permanent Migration Committee at its second and third sessions, held in February 1948 and January 1949, respectively, considered the barriers existing at the present time to large-scale resumption of migration and drew up a series of proposals for a revision of the Migration for Employment Convention, 1939, and related Recommendations.[1] The work of the Permanent Migration Committee has prepared the ground for the adoption by the International Labour Conference of two or more new Conventions and a Recommendation; to this is annexed a model agreement on migration which is intended to serve as a guide to governments which propose to regulate migration through bilateral agreements.[2]

The general principles of migration for land settlement have also been considered by the Permanent Migration Committee and a partial draft of a model for bilateral agreements has been drawn up. It was expected that several aspects of the question would be discussed in April 1949, during the fourth conference of the American States Members of ILO at Montevideo.[3]

The Permanent Migration Committee and subsequently the Governing Body agreed that steps should be taken, after consultation of governments, to convene a conference of government representatives for the purpose of arriving at precise agreements on the movement of migrants. A preliminary conference will probably be held to explore the situation and to prepare the way for the main conference.

Following discussion in the International Refugee Organization and in the Manpower Committee of the Organisation for European Economic Co-operation, the Permanent Migration Committee considered methods of helping the migration of persons in the liberal professions, including scientists and artists, many of whom are among the displaced persons.

The Permanent Migration Committee, in considering the economic, financial and demographic aspects of migration and land settlement, attached great importance to a thorough study of the absorptive capacity of some of the countries which might be able to receive immigrants. It suggested that ILO might provide, in co-operation with the United Nations and the specialized agencies concerned, technical assistance in finding areas which could be suitably settled by new migrants and in preparing actual plans for settlement.

Statistics. Efforts have been made by the International Conference of Labour Statisticians to bring about an improvement in statistics concerning various aspects of employment, occupational classification, migration and related problems. The International Labour Office has worked with the United Nations on a number of long-term national and international problems in this connexion; material showing the present status of migration statistics in the different countries was made available to the United Nations. The ILO has continued to collect migration statistics and has undertaken to review statistical material on this subject in an effort to throw light on migration movements in relation to man-power requirements.

WAGE POLICY

At its 1948 session, the International Labour Conference had before it a general report on wages[4] which was to be considered further at the

[1] *Cf. International Labour Code, op. cit.,* articles 851 to 884.

[2] International Labour Office, *Second Session of the Permanent Migration Committee,* Studies and Reports, New Series, No. 10, (Geneva, 1948); International Labour Conference, *Migration for Employment,* Reports XI (1) and XI (2), thirty-second session, Geneva, 1949, (Geneva, 1948).

[3] *Cf.* Fourth Conference of American States Members of the International Labour Organisation, *Report of the Director-General* (Geneva, 1949), chapter III.

[4] International Labour Conference, *Wages: (a) General Report,* Report VI (*a*), thirty-first session, San Francisco, 1948 (Geneva, 1948).

next session of the Conference in 1949. The report discussed, *inter alia,* the nature of wages and the objectives of wage policy; the various factors affecting wage determination and the general level of wages; the interrelations of wages and employment and of wages and the price level; and annual and other wage guarantees. The report also gave special consideration to the international aspects of wage policy. In addition, the *Report of the Director-General* noted the dangers inherent in competitive wage increases in periods when inflationary pressures were strong.[1]

Labour clauses in public contracts. The Conference had a preliminary discussion, with a view to the adoption in 1949 of a Convention and a Recommendation on labour clauses in public contracts, including fair wage clauses.[2]

Protection of wages. The Conference also considered measures for the protection of wages [3] designed to ensure that the worker receives his wage promptly and in full and is protected against practices which make him excessively dependent on his employer. The discussion constituted a first stage in the preparation of international regulations; the second and final discussion on this question and on the question of labour clauses in public contracts was to take place at the International Labour Conference in June 1949.

Equal pay for equal work. The Economic and Social Council in March 1948 requested ILO to give further consideration to the principle of equal pay for men and women for work of equal value; [4] the general report on wages submitted to the Conference in 1948 examined various aspects of the question.[5] The Conference adopted a resolution drawing attention to the importance of taking appropriate measures to secure the effective application of the principle of equal remuneration for work of equal value in the case of men and women workers, including, in particular, measures to extend opportunities for employment available to women workers and to provide adequate facilities for the vocational and technical training of women. It asked that the various bodies meeting under the auspices of ILO take fully into account the need to secure recognition of the principle and the need for action to promote its application.[6] In accordance with a request made in this resolution, the Governing Body has placed the question on the agenda of the thirty-third session of the Conference to be held in 1950.

The guaranteed wage. The general report on wages submitted to the 1949 session of the International Labour Conference [7] described existing guaranteed wage plans and estimated, on a hypothetical basis, the probable costs of wage guarantees. The Conference drew attention to the desirability of extending, by means of collective agreements, awards or national laws, as appropriate, the application of the principle of a guaranteed wage to wage-earners who are subject to temporary lay-off; requested the Governing Body of ILO to arrange for consideration by appropriate industrial committees of methods of facilitating the progressive application in their respective industries of the principle of a guaranteed wage, including methods of eliminating temporary stoppages or fluctuations in plant operations and in employment; and requested the Governing Body to consider the desirability of placing the guaranteed wage on the agenda of an early session of the Conference. In accordance with this request, the Governing Body has placed the item "Guaranteed wages in the iron and steel industry" on the agenda of the next session of the Iron and Steel Committee and the International Labour Office is preparing a report on the subject.

Minimum wage determination. The question of how best to secure at least a minimum wage to workers has been considered by ILO on a number of occasions, in particular in 1928, when the

[1] International Labour Conference, *Report of the Director-General,* Report I, thirty-first session, San Francisco, 1948 (Geneva, 1948), pages 8 to 15.

[2] International Labour Conference, *Fair Wages Clauses in Public Contracts,* Report VI (*b*) (1) and (2), thirty-first session, San Francisco, 1948 (Geneva, 1947 and 1948); International Labour Conference, *Labour Clauses in Public Contracts,* Report VI (1) and (2), thirty-second session, Geneva, 1949 (Geneva, 1948 and 1949).

[3] International Labour Conference, *Protection of Wages,* Report VI (*b*) (1) and (2), thirty-first session, San Francisco, 1948 (Geneva, 1947 and 1948); International Labour Conference, *Protection of Wages,* Report VII (1) and (2), thirty-second session, Geneva, 1949 (Geneva, 1948 and 1949).

[4] Economic and Social Council resolution 121 (VI), 10 March 1948.

[5] *Wages: General Report, op. cit.,* pages 2, 88 to 90, 97 to 101, 288, 301 and 302, 338 and 342 to 361.

[6] For full text, see International Labour Office, *Official Bulletin* Vol. XXXI, No. 1, pages 38 to 40 and United Nations document E/881/Rev. 1.

[7] *Wages: General Report, op. cit.,* pages 220 to 280 and 307 to 315.

Conference adopted the Minimum Wage-Fixing Machinery Convention.[1] The Convention does not, however, apply to agriculture; the Governing Body of ILO will place the question of minimum wage regulation in agriculture on the agenda of the thirty-third session of the Conference, to be held in 1950. The Conference in 1946 included in the Wages, Hours of Work and Manning (Sea) Convention a specific international basic rate of pay for seamen, stated in dollars and in pounds sterling. Discussions during 1948 considered measures to facilitate ratification of this Convention, the revision of which was to be discussed at the 1949 session of the Conference; the revision does not affect the wage clauses. The ILO, at the request of its Coal Mines Committee, has compared remuneration in cash and in kind and other social benefits received by coal miners with those received by workers in comparable occupations in the same country. The Petroleum Committee has recommended certain principles by which a minimum wage rate could be fixed for workers in the petroleum industry.[2]

Other wage studies. The ILO continues to collect and publish statistics of wages and earnings, and to concern itself with methods of improving them. Methods of compiling statistics of payrolls and earnings form an item on the agenda of the seventh International Conference of Labour Statisticians which was to meet in October 1949; a report on the subject has been in preparation. Other studies which ILO has in progress or has been authorized to carry out in this field include methods of wage calculation in the metal trades; disparities in wages, real wages and their effect on labour standards and standards of living in the textile industry; the relation of the guaranteed wage to unemployment benefit schemes; the decasualization of dock labour, including measures for raising productivity and ensuring reasonable remuneration; the dismissal wage and payment for public holidays in the iron and steel industry; systems of minimum income security; the working of collective agreements and wage regulation in Asian countries and further measures which should be taken to secure fair wages for workers in such countries; and the wages of plantation workers.

FULL EMPLOYMENT

Because one of the objectives of ILO is to further programmes which will ensure full employment, ILO has a special interest in the resolution adopted by the Economic and Social Council calling for the submission by Member Governments of information on action they are now taking to achieve or maintain full employment and economic stability.[3] It submitted to the Council a memorandum on the measures recommended at various times by the International Labour Conference or other organs of ILO with a view to preventing a decline in employment and economic activity.[4] The measures described above in connexion with the manpower programme are, of course, relevant, as are the various recommendations made by the Conference in regard to the timing of public works and the building up of reserves of public works which can be put in hand when needed.[5]

The ILO has made a special study of housing policy in relation to stability of employment [6] and has emphasized the importance of advance determination of national housing policies and their adaptation to actual and prospective trends in employment. Certain aspects of this subject were considered at the session of the Building, Civil Engineering and Public Works Committee which was held in March 1949.

Other studies on the prevention of undue fluctuations in employment include various measures for the decasualization of dock labour [7] and tech-

[1] *International Labour Code, op. cit.*, articles 91 to 96.
[2] International Labour Organisation, *Note on Proceedings of Second Session, Petroleum Committee,* part VII (Geneva, 1948).
[3] Economic and Social Council resolution 104 (VI), 3 March 1948.
[4] See United Nations document E/1111/Add. 1, 16 February 1949.
[5] In particular, Public Works (National Planning) Recommendations, 1937 and 1944 and conclusions of the International Development Works Committee in 1946, published in International Labour Office, *Public Investment and Full Employment,* Studies and Reports, New Series, No. 3 (Montreal, 1947), pages 309 to 313. Relevant extracts have been reproduced in United Nations documents E/CN.1/46 and E/CN.1/46/Add. 1.
[6] International Labour Office, *Housing and Employment,* Studies and Reports, New Series, No. 8 (Geneva, 1948) and International Labour Organisation, *Instability of Employment in the Construction Industries,* Report II, second session of the Building, Civil Engineering and Public Works Committee (Geneva, 1948).
[7] International Labour Organisation, *Decasualisation of Dock Labour,* Report II, *op. cit.*

nological improvements in the iron and steel industry and their effect on employment. Studies are being undertaken at the request of the Iron and Steel Committee on the regularization of employment in that industry.

OTHER ACTIVITIES

Freedom of association. In July 1948, the International Labour Conference adopted a Convention concerning freedom of association and protection of the right to organize.[1] This matter had been referred to ILO by the Economic and Social Council in 1947. Certain related aspects were, after discussion, deferred to 1949, namely, the application of the principle of the right to organize and to bargain collectively and an item dealing with industrial relations, comprising collective agreements, conciliation and arbitration and cooperation between public authorities and employer and worker organizations.

Application of these principles will strengthen the bargaining position of workers, especially in countries where trade unions have hitherto not been strong and thus, within the limits set by total production and local circumstances, will raise the standard of living of the peoples concerned.

Shift work for women. The Conference in 1948 revised the Night Work (Women) and Night Work of Young Persons (Industry) Conventions, 1919. The object of the revisions was to enable two day shifts to be worked conveniently. This widespread practice, often associated with a reduction in weekly hours of work, permits fuller utilization of available capital equipment.

Industrial safety codes. A Code of Safety Regulations for Industrial Establishments for the guidance of governments has been prepared and has been approved by a technical conference, subject to further examination of certain parts by experts. A detailed Code of Safety Regulations in Coal Mining has also neared completion.

Measurement of labour productivity. With a view to developing standard techniques, the question of statistical methods of measuring the productivity of labour has been placed on the agenda of the seventh International Conference of Labour Statisticians which was expected to meet late in 1949; an article has been published as part of the preparation for this discussion.[2]

Family living standards. Methods of studying family living standards were expected to be on the agenda of the seventh International Conference of Labour Statisticians and a report has been in preparation. The use of suitable sampling techniques was expected to provide information on expenditures in various income groups and on the proportion of people whose expenditures fall below acceptable standards of adequacy.

Reports on economic trends and policies. Several reports of ILO furnished information concerning the current economic background as a basis for social policies. Among them were the *Report of the Director-General* to the International Labour Conference [3] and his report to the fourth Conference of American States Members of ILO.[4] The general reports submitted to the various industrial committees, including the Chemical Industries Committee, the Textiles Committee and the Petroleum Committee, contain similar background information.

Food and Agriculture Organization of the United Nations [5]

The Food and Agriculture Organization of the United Nations, established at Quebec in 1945, took long strides during 1948 towards the fulfilment of its constitutional objectives of raising levels of nutrition and consumption; improving the efficiency of production and distribution of food and agricultural products; and bettering the condition of rural populations.

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[1] International Labour Office, *Official Bulletin,* Vol. XXXI, No. 1, 31 August 1948, page 106 and United Nations document E/863, 22 July 1948.

[2] L. Rostas, "International Comparisons of Productivity" *International Labour Review,* Vol. LVIII, No. 3, September 1948.

[3] International Labour Conference, *Report of the Director-General,* Report I, thirty-first session, San Francisco, 1948 (Geneva, 1948).

[4] Fourth Conference of American States Members of the International Labour Organisation, Montevideo, April 1949, *Report of the Director-General,* Report I, (Geneva, 1949).

[5] A more complete account of the activities of the Food and Agriculture Organization is contained in the third annual report of the Director-General, *Work of FAO-1947/48* and in the report of FAO to the United Nations, prepared for the ninth session of the Economic and Social Council.

During previous years, there had emerged five principal methods of working towards the objectives outlined above. These methods are: (*a*) advising member governments in the formulation of their national agricultural plans and programmes and providing, through regional meetings and the annual FAO conference, for the analysis and review of these programmes, by regions and on a global scale; (*b*) making technical advice and assistance available to member governments; (*c*) collecting, analysing and publishing statistical and economic data; (*d*) servicing inter-governmental bodies; and (*e*) increasing the general availability of knowledge of agricultural techniques by means of technical publications.

The activities of the organization in 1948 are discussed briefly below, under each of the above subjects.

REVIEW OF NATIONAL PLANS AND PROGRAMMES

The Preparatory Commission on the World Food Proposals, which met in Washington in December 1946, recommended that member governments of FAO should formulate national programmes for food and agriculture and further recommended that mechanism be provided through regional meetings and the annual conference whereby these programmes could be compared, analysed and reviewed, both by regions and from a world viewpoint.

In 1948, several such regional meetings were held, notably at Cairo, Egypt; Baguio, Philippines; and in Latin America. These meetings served the dual objective of assisting member governments in the region to formulate their plans and programmes, chiefly from the point of view of a specific problem or commodity of major importance in the region; and also of laying the foundations for the establishment of a regional office of FAO in the region concerned.

The Cairo meetings, held in February 1948, formulated preliminary plans for irrigation and drainage in Near East countries. In connexion with the meeting, FAO sent technicians to the region to conduct surveys on irrigation, deep-well drilling, drainage and crop production under irrigated conditions. The reports of these technicians were sent to the governments concerned in September 1948.

The Baguio meetings, held at the invitation of the Government of the Philippines in February and March 1948, drafted the constitution of a proposed International Rice Commission which would co-ordinate national plans for the production and distribution of rice; agreed to tentative rice production, trade and consumption targets for the next three years; and made a preliminary estimate of the agricultural requisites required for the proposed programme. The governments represented also agreed to carry out practical experiments in the use of machinery for the rehabilitation of rice lands abandoned during the war. The International Rice Commission was established in Bangkok early in 1949.

Two FAO regional meetings were held in Latin America in 1948. In April a timber conference met at Teresopolis, Brazil, and agreed on measures to develop the forest resources of Latin American countries. These included arrangements to assess the needs for skilled foresters and forestry workers and to promote their transfer from Europe; and to formulate the needs of the countries in the area for forestry requisites. It was agreed that a regional working group of FAO staff technicians would be established in Latin America and that a Forestry and Forest Products Commission would be organized. The working group set up an office in Rio de Janeiro early in 1949. In July a conference on Latin American nutrition problems was held at Montevideo. This conference agreed on the standards of nutrition which should be adopted in Latin American countries and decided that similar regional nutritional conferences should be held every two years. An FAO nutrition worker is to visit Latin American countries in 1949 to follow up the work of this conference.

The result of the work on agricultural plans and programmes in member countries, as shown by the reports made by member governments to FAO, is described in the FAO publication *National Progress in Food and Agriculture Programs, 1948*. It is planned to give more assistance to member governments in the formulation of their national plans and programmes in 1949 and informal meetings for this purpose were planned in Bangkok and Cairo for March and April.

An improved basis for national plans and programmes will be provided by the results of the world census of agriculture in 1950. In preparation for the census, FAO held statistical training schools in 1948 in the Near East, China and Mexico. Over forty governmental statisticians attended the school at Baghdad, and all but four member countries in Latin America were represented at Mexico City.

The Food and Agriculture Organization, in co-operation with the Economic Commission for Europe, in 1948 published a report entitled, *European Programs of Agricultural Reconstruction and Development,* designed to assist European countries in comparing their respective programmes and to supplement the *Survey of the Economic Situation and Prospects of Europe,* prepared by the Economic Commission for Europe. This report has demonstrated the need for co-ordination of the programmes of the countries in a given region, since it was found, for example, that some countries in planning an increase in cattle numbers were not paying sufficient attention to the prospective level of supplies of cattle feed; and others were planning to increase fruit and vegetable exports without taking sufficiently into consideration the capacity of other countries to import such products. The FAO has been analysing these problems and related matters.

In 1948, FAO also participated in joint working parties, with the Economic Commission for Asia and the Far East and the Economic Commission for Latin America, to investigate food and agricultural conditions and the supply of agricultural requisites in the respective regions.

TECHNICAL ADVICE AND ASSISTANCE

Under its constitution, FAO is to provide technical advice and assistance to its member governments at their request. This is clearly an immediately useful service but the amount of such assistance which FAO can provide is limited by the present budget. During 1948, FAO provided such services in three ways: (*a*) by sending missions to countries, such as those to Siam and Venezuela; (*b*) by holding technical meetings; and (*c*) by sending individual technicians to work with member governments. Much of the work done under the third of these categories was made possible through funds transferred to FAO in February 1947 by the United Nations Relief and Rehabilitation Administration. These funds, totalling over $1 million, have greatly increased the scope of FAO's technical advice and assistance; their depletion by the end of 1949 is expected to limit such services in the future unless further funds are made available from other sources.

The mission for Siam studied six problems: technical aspects of crop husbandry, especially rice production; development and control of water supplies; control of rinderpest; forest conservation and management; methods of improving the economic status of the farmer by provision of incentives to increase production, with special reference to credit facilities and co-operative organization, and betterment of marketing and distribution; and means of improving statistical reporting.

Recommendations which resulted from the three months' stay of the mission were published in September 1948 in the *Report of the FAO Mission for Siam.* The mission recommended, among other things, that immediate steps be taken to improve rice processing methods by such means as better milling and parboiling; that the plans to control the irrigation of the central plain be expedited; that extensive rinderpest immunization campaigns be undertaken; that forest management be improved and a forest survey made; and that the profits from the Government rice monopoly be used to finance agricultural development.

The mission to Venezuela was organized to study the possibility of increasing the yields of vegetable oil, from both wild and cultivated sources, and to recommend methods of improving processing facilities. The findings of the mission are to be incorporated in its report.

The full report of the mission for Poland, which visited that country in the summer of 1947, was published in May 1948. An interim report had been published in October 1947.

Six technical meetings were held in 1948. These were similar to those held in 1946 by UNRRA and in 1947 by FAO and were mainly for the purpose of bringing up-to-date knowledge to government workers and specialists who had been cut off by the war. At these meetings, experts demonstrated modern techniques in soil conservation, anti-infestation work, veterinary methods, quick freezing and refrigeration, development of hybrid

corn—extending the work of the previous year's meeting—and rinderpest control.

The activities of FAO in rinderpest control have been concentrated principally in the Far East and Africa, where the disease accounts for the loss of two million cattle annually. The eradication campaign involves three steps: the development of vaccines; their production and use; and the adoption of international control measures by governments. Until 1948, no cheap and readily usable anti-rinderpest vaccine was available. In that year, FAO technical officers, working with the Government of China, developed a technique for the production and field use of avianized vaccine and discovered a new lapinized vaccine and techniques for its production and field use. These vaccines were successfully applied on a substantial scale in China; in October 1948 an international meeting of experts in Kenya concluded that eradication of rinderpest was a practical possibility, to be accomplished without further delay. At the same time, representatives of governments and colonial Powers agreed to take measures for the co-ordination of national rinderpest control programmes in Africa. A similar meeting will be held in 1949 in south-eastern Asia to organize a concerted plan for the eradication of the disease in that area.

Technicians were also sent during 1948 to work with member governments on a great variety of other subjects. Expert advice was provided on the following, among others: crop œcology, veterinary science and plant breeding in Austria; animal diseases, dairy and meat sanitation, artificial insemination and refrigeration in Czechoslovakia; fishery research in Greece; farm machinery in Hungary; soil conservation and range management in Italy; farm machinery, pest control and animal diseases in Poland; water conservation, seed multiplication, animal diseases, insects, plant diseases, fertilizers, farm machinery, dairying, forage crops, food processing, agricultural industries and fisheries in China; and animal diseases in Ethiopia.

Other projects included arrangements for a small number of trained agricultural technicians to study advanced techniques in countries other than their own. Further, large quantities of up-to-date technical and educational material were furnished to countries unable to obtain such materials during the war. For example, thirty hybrids of seed corn for experimental purposes were provided to nineteen countries during 1948. The resulting data on adaptation in various climatic zones have recently been supplied in published form to co-operating experiment stations in each country.

PUBLICATION OF STATISTICAL AND ECONOMIC DATA

A basic function of FAO is the compilation of regular reports on world food and agricultural production. FAO compiles and publishes a monthly bulletin of food and agricultural statistics—first issued in July 1948—which is based on monthly figures of agricultural production furnished by member governments. In addition, the organization issues a year-book of food and agricultural statistics which summarizes the figures in the monthly bulletins. Year-books of fishery and forest product statistics, monthly fishery bulletins and a forestry magazine published every two months, together with the general bulletins and year-books, are issued and distributed to member governments.

The organization also issues regular commodity bulletins containing facts and figures about specific commodities—their production and distribution, an analysis of trends and a forecast of future developments. During 1948, bulletins were produced on the following commodities: wheat, livestock and meat, dairy products, poultry and eggs, vegetables and fruits, rice, sugar and fibres.

SERVICING OF INTER-GOVERNMENTAL BODIES

Subordinate bodies have been established by FAO to deal with specific problems within the broad field of food and agriculture. As mentioned above, the FAO meetings at Baguio early in 1948 called for the establishment of an International Rice Commission, to enable governments to deal co-operatively with the problems of production, conservation, internal distribution and consumption of rice. The establishment of this Commission was approved by the fourth session of the FAO conference in November 1948 and its inaugural meeting was planned for March 1949.

The Baguio meetings also drew up an agreement for the establishment of an Indo-Pacific Fisheries Council to enable governments to co-operate in extending knowledge of the fishery resources

of the Indo-Pacific area and in applying this knowledge as quickly and effectively as possible. The fourth session of the conference approved the establishment of this Council; its first meeting was also planned for March 1949.

The European Forestry and Forest Products Commission was organized in 1948 for the discussion of long-term forestry problems. The first meeting of the Commission was held in July 1948. It compiled a tentative balance-sheet of European timber resources and needs and made long-term proposals for the reorientation of European forest policies in order to make Europe self-sufficient in timber supplies so far as possible. Establishment of the Latin American Forestry and Forest Products Commission was decided upon at the 1948 Teresopolis Conference; it was to hold its first meeting in June 1949.

Close working relations were continued throughout the year with the regional economic commissions of the United Nations. A European Timber Committee, staffed by FAO, was set up at Geneva within the framework of the Economic Commission for Europe. As a result of the work of this Committee, timber production and needs of both eastern and western European countries are being co-ordinated; agreements are being reached with the object of equitably distributing available timber supplies. Steps to increase exports include arrangements for exporting countries to purchase necessary equipment from importing countries and provision of dollar funds for such purposes. The International Bank for Reconstruction and Development is considering applications for loans to finance timber development in eastern Europe for export to western Europe.

The third session of the Economic Commission for Asia and the Far East, held in June 1948, set up a joint working party with FAO to study the requirements of the region for agricultural requisites and the action necessary to improve the supply. This working party reported to FAO and the Economic Commission for Asia and the Far East at the end of 1948.

A joint working party, consisting of representatives of FAO and the Economic Commission for Latin America, started on a tour of all countries in Latin America at the end of 1948, with the object of studying necessary action to increase food production in the area.

DISSEMINATION OF TECHNICAL INFORMATION

It has been the aim of FAO to issue compilations of specific technical knowledge available in all parts of the world. Several such studies were published in 1948, including *Breeding Livestock Adapted to Unfavorable Environments; Soil Conservation: An International Study; Preservation of Grains in Storage; and Nutritional Deficiencies in Livestock*. Another publication provided an account of new hormone weed killers. A nutritional survey entitled *Rice and Rice Diets* was the first attempt to present information in readily available form to support nutritional programmes in rice-eating countries.

STUDIES PROPOSED BY FAO CONFERENCE

The fourth session of the conference of the Food and Agriculture Organization, which met in November 1948, approved the work of the organization in 1948 and commended, with a few minor changes, the Director-General's proposed programme for 1949. It also discussed three aspects of the world agricultural picture which may well prove of vital importance in the years ahead.

The conference considered that the international resources available for financing agricultural development were inadequate for the needs of the world and that this inadequacy was a major obstacle to full development of the world's resources. It further noted that since the war there had been basic changes in the composition and direction of world trade. It recorded its conviction that multilateral international price agreements on major commodities were the best method for stabilizing prices at a rate fair to both producer and consumer. The conference therefore asked the Director-General, in co-operation with other appropriate international organizations to prepare studies on (*a*) international financing facilities available for agricultural development, the extent of their use and the demand for such facilities; (*b*) current trends in the pattern of world trade; and (*c*) inter-governmental commodity arrangements.

International Bank for Reconstruction and Development[1]

In the operations of the International Bank for Reconstruction and Development during 1948 and early 1949, major emphasis shifted from reconstruction to "development" financing. Whereas, in 1947, loans made by the Bank were for the purpose of assisting in the reconstruction of war-devastated economies in Europe, during the past year most of the Bank's loans and other activities were directed towards assistance to under-developed member countries in the development of their productive facilities and resources.

LENDING OPERATIONS

Between January 1948 and February 1949, the Bank granted loans totalling $153.1 million. A description of these loans follows.

Chilean loans. The Bank authorized the granting of its first credits for development purposes on 25 March 1948, by approving two loans to Chile totalling $16 million.

The first of these loans, in the amount of $13.5 million, was for hydro-electric development. The borrowers are Corporación de Fomento de la Producción (Production Development Corporation, known as Fomento), an instrumentality of the Chilean Government created to promote Chilean economic development, and Empresa Nacional de Electricidad, S.A. (National Electricity Company, ENDESA), a subsidiary of Fomento engaged in generating and distributing electric energy. The purpose of the loan is to provide foreign exchange for the construction of additional hydro-electric plants and related transmission lines, the installation of additional generating units in existing plants and the installation of pumping equipment for irrigation. The existing supply of power is insufficient to cover present and prospective needs and the development of Chile's extensive potential hydro-electric resources is of prime importance to the Chilean economy. The loan is for a term of 20 years and carries an interest rate of 3½ per cent, plus a commission charge of 1 per cent annually, to be set aside in the Bank's special reserve fund in accordance with its articles of agreement. Amortization begins in the sixth year.

The second Chilean loan, of $2.5 million, was granted to the Fomento organization for the purchase of agricultural machinery. The agricultural programme, which this loan is designed to assist, is expected to decrease the cost of production by increased mechanization of agricultural equipment and to increase the amount of land available for agricultural production by bringing areas now covered by forest into cultivation, turning pasture land into crop land and shortening the time required for harvesting. In connexion with this programme, special attention is being given to the technical training of personnel in order that full advantage may be taken of the equipment to be made available. This loan is for a term of 6½ years and carries an interest rate of 2¾ per cent, plus the usual 1 per cent commission charge. Amortization begins in the third year.

Both loans are to be guaranteed by the Government of Chile.

Netherlands shipping loans. The Bank granted its first loans to private enterprises on 29 July 1948, when it made six loans totalling $12 million to four leading Netherlands shipping companies. The loans were for the purchase from a United States shipping corporation of six merchant vessels, each costing $2 million, for the Netherlands mercantile marine—two each for the Rotterdam-Lloyd and the Netherlands Line and one each for the Holland-America Line and the United Netherlands Navigation Company. These loans are secured by ship mortgages and are represented by 2½ per cent six-month to ten-year serial mortgage notes; in addition the borrowers are to pay an annual commission of 1 per cent and a service charge of $\frac{1}{16}$ per cent on the amount of notes outstanding. The loans are guaranteed by the Netherlands Government. In making these loans, the Bank has taken into account the importance of earnings from shipping in the Netherlands balance of payments. The addition of the six vessels to the Netherlands mercantile marine is expected to save or earn for the Netherlands, over the period of amortization, sufficient foreign exchange to meet the service of the loans.

Mexican loans. On 6 January 1949, the Bank

[1] A more detailed account of the Bank's activities is given in its *Third Annual Report 1947-1948* and in United Nations document E/1077/Add. 1, 15 February 1949, which contains a summary of the Bank's principal activities since 1 September 1948.

granted two loans totalling $34.1 million to agencies of the Mexican Government for electric power development in Mexico. The joint borrowers in the case of each loan are the Comisión Federal de Electricidad (Federal Electricity Commission), a Mexican Government agency charged with the development of electric power facilities, and Nacional Financiera, an official financing institution whose functions include the negotiation of foreign loans on behalf of the Mexican Government.

The first loan, of $24.1 million, is to be used by the Comisión Federal de Electricidad to finance purchases of equipment and materials necessary for the completion of a number of projects included in the Commission's programme for 1947 to 1952, for construction of new steam and hydroelectric generating stations, transmission lines and distribution systems in various parts of Mexico. Faced with a rapid growth of population, Mexico urgently needs a greater supply of electric power in order to make possible the growth of industry and the increase of agricultural production through modern methods of irrigation. The loan is for a term of twenty-five years and carries an interest rate of 4½ per cent, which includes the usual commission charge of 1 per cent annually. Amortization payments begin in the fifth year.

The second Mexican loan, of $10 million, will be re-lent by the borrowers to the Mexican Light and Power Company, Limited. The loan is to finance part of the cost of equipment and materials necessary to carry out the company's programme for expansion of its electrical generating and distributive facilities in the Mexico City area. The company proposes to undertake a reorganization of its capital structure during 1949; the loan is designed to permit the expansion programme to be carried forward pending consummation of a reorganization plan. This loan therefore covers only expenditures to be made to 31 December 1949 and is for a term of one year only, repayment being due on 31 December 1949. It carries an interest rate of 4½ per cent, including the usual 1 per cent commission charge. If the reorganization is satisfactorily completed in 1949 and other conditions warrant, the Bank will be prepared to consider negotiation of a long-term loan and refund of the short-term credit.

Both loans are guaranteed by the Mexican Government.

Brazilian loan. On 27 January 1949, the Bank granted a loan of $75 million to the Brazilian Traction, Light and Power Company, Limited. The purpose of this loan is to assist the company in financing its programme for expanding hydroelectric power facilities and telephone installations in Brazil. The company, a Canadian corporation, will use the loan to finance the major part of the foreign exchange costs of the four to five-year expansion programme being undertaken by its Brazilian subsidiaries in the Rio de Janeiro and São Paulo areas, the most highly industrialized and populated part of Brazil. The programme provides for increases of more than 50 per cent in the presently overloaded power-generating capacity in these areas and involves large-scale additions to transmission and distribution equipment and to water supply facilities for power purposes. In addition, local telephone services will be increased by about 40 per cent and long-distance traffic capacity will be expanded to meet the urgent needs for these services.

In view of Brazil's deficiency in fuel and power, the company's project is certain to increase the productivity of the country. The company intends, with the proceeds of the loan, to purchase substantial amounts of equipment in the United States, Canada, the United Kingdom and continental Europe.

The loan is for a term of twenty-five years and carries an interest rate of 3½ per cent, plus the usual 1 per cent commission charge. Amortization will begin in 1953. The loan is guaranteed by the Government of Brazil.

Belgian loan. On 28 February 1949, the Bank granted a loan of $16 million to the Government of Belgium. The purpose of this loan is to provide United States dollars to pay for imports of equipment for the construction of two steel mills and a power plant in the industrial district of Liège. All three projects will increase the country's productivity and assist in modernizing two of its key industries. While Belgium's post-war economic recovery has been rapid, it must re-equip its industries in order to reduce export prices, if the country is to maintain its position in world markets. The loan is in accordance with the Bank's policy of supplementing the European Recovery Program by assisting in the financing of projects which involve permanent additions to Europe's productive

capacity and which give reasonable prospects of repayment.

The loan is for a term of twenty years and carries an interest rate of 4¼ per cent, including the usual 1 per cent commission charge. Amortization payments will start in the fifth year.

Summary of operations to date. The loans described above brought the total loans made by the Bank from the beginning of its operations to February 1949, inclusive, to $650.1 million, as follows: $250 million to France (through Crédit National); $195 million to the Netherlands; $40 million to Denmark; $12 million to Luxembourg; $16 million to instrumentalities of the Chilean Government; $12 million to Netherlands shipping companies; $34.1 million to agencies of the Mexican Government; $75 million to the Brazilian Traction, Light and Power Company, Limited, and $16 million to Belgium.

Disbursements made by the Bank as on 15 February 1949 amounted to approximately $503 million. This includes the entire amount of the loans to France, the Netherlands and the Netherlands shipping companies; approximately $37 million under the loan to Denmark; and $9 million under the loan to Luxembourg. The following are a few examples of the uses to which these proceeds have been applied: The French loan has financed the purchase of new locomotives, spare parts for freight cars, aeroplanes, cargo vessels, steel mill equipment, other industrial machinery and key raw materials, such as coal, copper and cotton; the Netherlands loans have financed the purchase of ships, steel products and fertilizers; the loan to Denmark has been used for agricultural machinery and equipment for textile industries; and the loan to Luxembourg is financing a new steel mill and railway rolling stock. Moreover, by strengthening these key sectors of the borrowing country's economy, the Bank's loans have produced benefits extending beyond the specific industries directly concerned and have made a significant contribution to European recovery.

While most of the expenditures financed by these loans inevitably were made in the United States, substantial amounts were spent in other areas. As on 15 February 1949, out of the approximately $503 million disbursed by the Bank, the geographic distribution of expenditures, expressed in round figures in terms of United States dollars, was as follows: $384 million in the United States; $51 million in Latin America; $13 million in Canada; $51 million in Europe; and $4 million in Africa, the Near East and the Far East.

MARKETING OPERATIONS

The International Bank for Reconstruction and Development is authorized to increase its loanable funds, where necessary, by sale of its own securities to private investors or by selling, with or without its guarantee, securities held in its portfolio.

Direct borrowing. During the past year, the Bank's only direct borrowing operation was the sale, on 1 June 1948, of an issue of 2½ per cent Swiss franc serial bonds maturing in 1953 and 1954, amounting to 17 million francs—the equivalent of approximately $4 million. This was purchased in its entirety by the Bank for International Settlements. While the amount of the Swiss issue is relatively small, it has a special significance in that it is the Bank's first borrowing in a currency other than United States dollars. As circumstances permit, the Bank is desirous of tapping other sources of capital than the United States. This would provide a wider market for the Bank's bonds, would reinforce its international character and would permit lending in currencies other than dollars, thus tending to lessen transfer difficulties involved in repayment of dollar loans.

Sale of the Swiss franc issue brought the total direct borrowing operations of the Bank to the equivalent of $254 million. In July 1947, the Bank sold two issues, totalling $250 million, on the United States market. One issue comprised $100 million ten-year 2¼ per cent bonds maturing in 1957; the other, $150 million twenty-five-year 3 per cent bonds maturing in 1972.

Market record of bonds. The performance of the Bank's bonds on the United States market has been encouraging. Being unseasoned issues, not generally familiar to investors, the bonds might have been expected to show more weakness than the market as a whole. In fact, however, over the past eighteen months their performance has been better than the average market performance of comparable high-grade bonds.

During the weak and uncertain market which existed in the early part of 1948, the Bank's bonds reached their low prices of $94\frac{14}{32}$ for the 3's and $94\frac{10}{32}$ for the 2¼'s. By 15 February 1949, how-

ever, the 3's had sold at 100 and the 2¼'s at 99½. One reason for their recent firm trend is that the market has been enlarged considerably owing to the fact that more individual states in the United States have qualified the Bank's bonds as legal investments for commercial banks, savings banks, insurance companies and trust funds. Another reason is that investors generally have become more familiar with the issues.

Sale of securities from Bank's portfolio. The Bank's power to sell private investors securities from its portfolio provides an alternative means to direct borrowing by the Bank for replenishing its loanable funds. In some cases, also, the sale of securities from the Bank's portfolio may provide an effective means of securing more active participation of private capital in international investment.

In August 1948, the Bank sold to a group of private United States banks a block of $8.1 million of the notes received in connexion with the Netherlands shipping loans. In January 1949, it sold to private United States banks an additional $2.2 million of the Netherlands shipping notes. In each case the securities were guaranteed by the Bank.

FUNDS AVAILABLE FOR LENDING

In January 1949, the Canadian Government approved the use by the Bank in its loan operations of $8 million (Canadian) out of Canada's 18 per cent subscription to the capital of the Bank, and the Government of the United Kingdom approved the use by the Bank in its loan operations of a maximum of £500,000 out of the United Kingdom's 18 per cent subscription to the capital of the Bank. It is expected that these amounts will be disbursed in connexion with purchases in Canada and the United Kingdom by the Brazilian Traction, Light and Power Company, Limited, under its loan from the Bank. This makes four countries which have approved the use of all or part of their 18 per cent local currency subscription in the making of loans by the Bank. The others are Belgium, which agreed in August 1947 to the Bank's use of the equivalent of $2 million in Belgian francs, and the United States, which has made its entire 18 per cent subscription available for lending. The Bank hopes to obtain further authorizations for the use of some part of the 18 per cent local currency subscriptions of other members in order to broaden the international character of its operations.

The total of $1,008.3 million in funds available to the Bank for lending to February 1949, expressed in round numbers in terms of United States dollars, was as follows: $635 million, 20 per cent paid-in portion of United States subscription; $98.3 million, 2 per cent portion of subscriptions of other countries paid in gold or dollars; $2 million, part of 18 per cent subscription of Belgium paid in local currency; $8 million, part of 18 per cent subscription of Canada paid in local currency; $2 million, part of 18 per cent subscription of United Kingdom paid in local currency; $250 million, proceeds of two bond issues in the United States; $4 million, sale of Swiss franc bonds to the Bank for International Settlements; and $9 million, net available funds from operations to January 1949.

After deducting the loan commitments of $650.1 million and making allowance for the sale of $10.3 million of the notes received in connexion with the Netherlands shipping loans, the Bank, as on February 1949, had approximately $368.5 million available for further loans.

MISSIONS

By February 1949, the Bank had sent missions to twenty-four member countries at their request. The purpose of most of these missions was to make an on-the-spot examination of projects proposed for Bank financing and of the general economic situation of the countries concerned. In addition, the Bank has sent increasing numbers of technical experts, from its own staff or recruited elsewhere, to assist its member countries in analysing their economic and financial problems, in formulating practical development programmes adapted to their needs and in designing measures for improving their financial stability and credit standing. Such technical assistance helps to reinforce the Bank's loans and increases the contribution made by these loans to rapid, balanced development in the countries involved. In addition, it may serve to render the Bank's under-developed member countries more attractive to private investors and thus encourage an increased flow of investment from that source.

Bank missions had been dispatched to the following countries by February 1949:

Latin America. Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela. In addition to these missions, the Bank's president during the past year visited eight countries in South America, all the Central American countries, Cuba, Dominican Republic and Mexico.

Europe. Austria, Belgium, Czechoslovakia, Denmark, Finland, France, Italy, Netherlands, Poland and Turkey. Bank representatives also attended sessions in Geneva of the United Nations Economic Commission for Europe, particularly in connexion with discussions of projects for financing timber development in eastern Europe.

Middle East and Africa. Lebanon. In addition to this mission, the Bank's vice-president early in 1949 visited Algeria, Anglo-Egyptian Sudan, Egypt, Iran and Morocco.[1]

Far East. India and Philippines.

International Monetary Fund [2]

MEMBERSHIP AND SUBSCRIPTIONS

The International Monetary Fund had forty-eight members in May 1949. Finland accepted membership on 14 January 1948, Austria on 27 August 1948 and Siam on 3 May 1949. Liberia has also submitted an application for membership. A fourteenth executive director was added to the Board of Executive Directors by the election of Mr. S. G. McFarlane of Australia on 30 January 1948.

The aggregate of members' quotas in April 1949 was $8,045.5 million. Of this total, $6,451 million was the aggregate quota of members whose currencies at the end of March 1949 had an agreed par value. At the same date the amount of subscriptions paid by countries whose currency par values had been established was the equivalent of $6,440 million, so that the amount of their authorized subscriptions yet to be paid was the equivalent of $11 million. This amount is exclusive of the subscriptions of countries whose currency par values have not been established. The Fund's holdings of gold on 30 April 1949 amounted to $1,439.3 million and its holdings of currencies, including non-negotiable, non-interest-bearing notes, amounted to the equivalent of $5,526.2 million, of which $1,340.1 million was in United States dollars.

MEETING OF BOARD OF GOVERNORS

The third meeting of the Board of Governors was held in Washington from 27 September to 1 October 1948. A resolution was adopted recommending the admission of Siam to Fund membership; 31 March 1949 was set as the date before which Siam might accept membership but this date was subsequently extended to 30 June 1949. Approval was given to a reduction of the quota of Honduras to $500,000.

ADJUSTMENTS OF EXCHANGE RATES

During 1948 two countries were added to the list of members with which currency par values had been agreed upon with the Fund. On 13 April 1948 the par value was announced for the Dominican Republic peso at the rate of 1 peso equals US $1 and, on 14 July 1948, for the Brazilian cruzeiro, at the rate of 18.5 cruzeiros to the United States dollar. There remained, therefore, nine members—Austria, China, Finland, Greece, Italy, Poland, Siam, Uruguay and Yugoslavia—for which a par value had not been agreed upon.

In January 1948 the French Government proposed a change in the par value of the French franc, which had been agreed upon at the rate of 119 per United States dollar. The proposed revaluation, however, was linked with the institution of a premium market for the dollar and certain other currencies readily saleable for dollars. This involved the introduction of a multiple currency practice and a discriminatory currency arrangement, since French exporters would be allowed to sell half of their export proceeds in United States dollars and certain other currencies, at the proposed new parity of approximately 214 francs per United States dollar, and the other half in a "free" market at a fluctuating rate. Though the Fund indicated that it was prepared to concur in a devaluation at a

[1] Also France, Greece and Turkey.

[2] For a fuller account of the activities of the International Monetary Fund see the *Annual Report of the Executive Directors for the Fiscal Year ended April 30, 1948* (Washington, 1948).

realistic rate which would be applicable to transactions in the currencies of all its members, it was unable to accept the French Government's proposal on account of its discriminatory features. Since 27 January 1948, therefore, there has been no agreed par value for the French franc.

In July 1948 the Mexican Government informed the Fund that loss of reserves compelled the Bank of Mexico temporarily to interrupt its normal foreign exchange transactions and that it had decided to allow the Mexican peso to fluctuate and find its level in the free market. Since that time, the Mexican Government has been in constant consultation with the Fund with a view to establishing a new par value for the peso.

On 16 October 1948 the exchange system which had been established in France was modified by arrangements which provided that transactions in currencies other than the United States dollar should be effected at rates corresponding to the average rates for the dollar. This did not involve the establishment of a new par value for the franc but, except for a few special cases, eliminated the differential rates which had prevailed since January 1948. It was therefore welcomed by the Fund as an appropriate step in the direction of an agreed par value. The French Government informed the Fund that its objective continued to be an agreement upon a new and stable parity as soon as conditions permit and consultations with the Fund have been continued with this purpose in view.

On 17 December 1948 a new par value, 1.94998 pesos to the United States dollar, was agreed upon for the Colombian peso. This represented a devaluation of a little more than 10 per cent.

On 22 March 1949 a new par value was announced for French Somaliland. The originally agreed par value had been 70 francs to the United States dollar and after 25 January 1948 the exchange rate had been fixed at 126 francs to the United States dollar. The new par value is 214.392 francs to the United States dollar; the new franc is to be freely convertible in dollars, and exchange restrictions are to be abolished in French Somaliland.

GOLD POLICY

In accordance with the terms of its Articles of Agreement, the Fund has continuously endeavoured, in collaboration with its members, to ensure stability in the price of monetary gold for all members. It has taken particularly into consideration the problems of external gold transactions at premium prices and of subsidies to gold producers.

External gold transactions at premium prices generally involve a loss of gold from monetary reserves and may threaten to undermine exchange stability by leading to exchange transactions at depreciated rates. Fund members have been requested to co-operate in the elimination of such transactions. It is the view of the Fund that adequate safeguards should always be provided to ensure that any gold sold for industrial, professional or artistic purposes is not used for speculation or hoarding and that it is imported in accordance with the gold and exchange laws of the countries concerned.

Any Fund member who proposes to introduce new measures to subsidize the production of gold is under an obligation to consult with the Fund on the specific measures to be introduced. A subsidy in the form of a uniform payment per ounce for all or part of the gold produced would not be permissible if the total price paid by the member for gold were thereby to become in excess of parity plus the prescribed margin of ¼ per cent. Subsidies involving payments in another form might also—depending upon their nature—constitute an increase in price. Each member of the Fund has undertaken "to collaborate with the Fund to promote exchange stability, to maintain orderly exchange arrangements with other members and to avoid competitive exchange alterations." Subsidies on gold production are inconsistent with this obligation if they undermine, or threaten to undermine, exchange stability. Subsidies which contribute directly or indirectly to monetary instability in other countries are also of concern to the Fund. Its determination in any particular case that a proposed subsidy is not inconsistent with these principles will depend upon the circumstances of the case.

FOREIGN EXCHANGE TRANSACTIONS

The total volume of Fund sales of currencies to members was $725.5 million on 30 April 1949. Of the total, $708 million was in United States dollars, $11.4 million in Belgian francs and $6 million in sterling. Sales in 1947 amounted to $467.7 million and in 1948, to $208.1 million.

During 1948 the Fund sold currencies to eleven of its members: Belgium, Costa Rica, Czechoslovakia, Denmark, Ethiopia, India, Netherlands, Nicaragua, Norway, the Union of South Africa and the United Kingdom. In 1949 sales were made for the first time to Brazil and Egypt.

On 20 April 1948 the Executive Board of the Fund announced that, in view of the necessity of taking the European Recovery Program into account when examining requests for the use of its resources, it was desirable that during the first year of the European Recovery Program, members who were participating in the programme should request the purchase of United States dollars from the Fund only in exceptional or unforeseen cases. The Fund and its members should have as their objective the maintenance of the resources of the Fund at a safe and reasonable level during the period of the European Recovery Program, in order that, at the end of the period, members participating in the European Recovery Program should have unencumbered access to the Fund's resources. This resolution does not affect the sale to members of currencies other than dollars and, in fact, Belgian francs have been sold to two European participants in the European Recovery Program. It is agreed that the sale of a country's currency by the Fund might constitute an "exceptional or unforeseen case", in the words of the decision referred to above.

International Civil Aviation Organization

In the economic field, the activities of the International Civil Aviation Organization in 1948 and 1949 have been of a diverse character; they concern the framing of standards and recommended practices to facilitate air travel, legal action in the economic field in aid of international air transport, international financing of air navigation facilities and studies of major economic importance to air transport.[1]

The Second Assembly of ICAO invited comments and recommendations from member States on the Report of the Commission on Multilateral Agreement on Commercial Rights in International Civil Air Transport, which met in Geneva in November 1947, with a view to taking further action to secure a multilateral agreement, but no further meetings have been held on this subject.

Arrangements with the Statistical Office of the United Nations, whereby ICAO collects national air transport statistics for publication in the United Nations *Monthly Bulletin of Statistics* and *Yearbook,* continued. It has been possible to publish two issues of the *ICAO Statistical Summary*. They were published in April 1948 and March 1949, respectively. The latter issue contains substantially complete series for twenty countries. The ICAO Council in 1948 adopted revised statistical reporting forms prepared in January 1948 by the Statistics Division of ICAO at its first session.

In April 1949 the Council of ICAO approved rules for the registration with ICAO of aeronautical agreements and arrangements.

During 1948 and 1949 six more countries became members of ICAO, bringing the total number to fifty-two.

STANDARDS AND RECOMMENDED PRACTICES

During 1948 and 1949 the ICAO Council adopted nine so-called "Annexes" to the Convention on International Civil Aviation (Chicago, 1944), which were scheduled to take effect during 1949 and 1950. The first eight of these annexes consist of technical standards and recommended practices concerning the safety, regularity and efficiency of air navigation. Annex 9 is the only one directly concerned with economic aspects.

Annex 9 is entitled "Standards and Recommended Practices on Facilitation of International Air Transport". It comprises a set of uniform rules to which customs, immigration and related regulations of the member governments of the organization might be adjusted so far as they apply to international air transport. They are intended to make international air travel simpler by reducing

[1] For a more complete report of the activities of the organization, see International Civil Aviation Organization, *Supporting Documentation for the 3rd Assembly,* Montreal, June 1949; *Vol. I, Report of Council to the Assembly, ICAO Doc. 6433, A3-P/4, Vol. II, Budget Estimates 1950, ICAO Doc. 6442, A3-P/13, and Vol. III, Other Agenda Items, Collection of ICAO Docs. A3-P/1 to A3-P/3 incl., A3-P/5 to A3-P/12 incl. and A3-P/14,* (Montreal, 1949).

the entrance and exit requirements of the various countries and by standardizing the number and content of forms required by the authorities at point-of-entry airports. Important among the recommendations are proposals for the adoption of standard forms—passenger, crew and cargo manifests; embarkation-disembarkation cards; baggage declarations etc.—together with a limitation on the number of these forms to be required by a government of aircraft and passengers landing on its territory. The implementation of these standards is expected to cut down waiting time for air passengers on international routes and to eliminate much of the paper work that delays travellers and requires airlines to employ large clerical staffs. It is anticipated that the implementation of the standards will eventually reduce the cost of air transport in general.

The beneficial effects of ICAO standards in reducing the barriers to other forms of transport engaged in international trade were recognized by the Transport and Communications Commission of the United Nations at its third session. In considering the general question of barriers to the international transport of goods, the Commission recommended to the Economic and Social Council that the Secretary-General of the United Nations be instructed to draw the attention of Member Governments to the work already done in the field by ICAO in its standards and recommended practices.

LEGAL ACTION IN THE ECONOMIC FIELD

At the Second Assembly of ICAO in June 1948 it was decided to open for signature a legal convention on international recognition of rights in aircraft. The Convention is designed to afford international airline operators assistance in arranging the financing of aircraft purchases and to provide security for those who finance the purchase of aircraft and spare parts. Certain recorded rights in aircraft are to be recognized internationally by the States which become parties to the Convention. Twenty-three governments have signed the Convention, which has not come into force.

The so-called "Warsaw Convention" for the Unification of Certain Rules relating to International Transportation by Air (Warsaw, 1929) has been under review by the ICAO Legal Committee, which has expressed the opinion that it is in need of revision. A questionnaire on the limits of liability concerning passengers, cargo and baggage was adopted and sent to States and international organizations in November 1948. The Legal Committee was expected to consider the replies at its fourth session in June 1949 to be held in Montreal.

The problem of the remuneration of governments and other organizations for search and rescue operations undertaken by them in respect of aircraft missing or in distress has also been under careful study by the ICAO Legal Committee. A questionnaire on certain aspects of the problem was approved and circulated to governments and international organizations in November 1948. The replies were also to be considered at the fourth session of the Legal Committee.

INTERNATIONAL FINANCING OF AIR NAVIGATION FACILITIES

Activities of ICAO of more immediate economic consequence concern the international financing of air navigation facilities. The Chicago Convention provides that if the Council of ICAO is of the opinion that the airports or other air navigation facilities, including radio and meteorological services, of a contracting government are not reasonably adequate for the safe, regular, efficient and economic operation of international air services, present or contemplated, the Council shall consult with the government directly concerned, and other governments affected, with a view to finding means by which the situation may be remedied. The Convention also provides that the Council may agree, at the request of the government concerned, to provide for all or a portion of the costs. These provisions in the Convention have now been implemented by several international agreements.

The operation of the Loran (long-range aid to navigation) station at Vik, Iceland, is carried out under an arrangement made in May 1947 by which operational costs are divided among Canada, France, Iceland, Netherlands, United Kingdom and United States.

In May 1947, the Government of Iceland requested financial and technical aid in the operation of the Area Control Centre at Reykjavik and the transmitting stations at Rjupnahaed and Reykjavik and in the provision of aeronautical meteorological services for transatlantic flights. A conference con-

vened in Geneva in June 1948 concluded with the signing of an agreement by the representatives of Belgium, Canada, Denmark, France, Iceland, Sweden, United Kingdom and United States to grant Iceland financial aid for the continuation of these services.

Four new projects for joint support were considered at a conference held in April and May 1949 in London. These projects include the financing of the Loran station in the Færoes and the meteorological facilities in Greenland, the renewal and revision of the agreement for the maintenance of the North Atlantic ocean stations for weather reporting and air navigation purposes and a request from the Government of Greece for financial aid to improve the facilities at the Athens airport and for other essential air navigation services required for the safety of international air transport through Greece.

An agreement was signed on 11 May 1949 as a result of the conference whereby continued operation of the North Atlantic ocean weather stations network was assured for a three-year period from 1 July 1950. The agreement provides for ten such stations, instead of thirteen as in the former agreement of 25 September 1946. They are to be tended by twenty-five ships operated by the following nations: United States, fourteen; United Kingdom, four; France, two; Netherlands, two; Norway, two; Canada, one. Belgium, Denmark, Ireland and Portugal are to make cash contributions to be applied towards this scheme.

The conference also concluded an agreement for the international financing of meteorological facilities in Greenland and the Loran station in the Færoes. The Council of ICAO is empowered by the agreement to work out the details with the Government of Denmark and to supervise the operation of the scheme. For expenses incurred in this operation until the end of 1949 the Danish Government will receive $1.77 million. As from 1 January 1950, the nations concerned will reimburse Denmark for 90 per cent of the costs of operation, estimated for 1950 at $770,000. The participating governments will share this financial burden in proportion to their respective shares of North Atlantic air transport operations.

In addition the Greek request for the rehabilitation of the Ellinikon airport and other air navigation facilities in Greece was referred back by the conference to the ICAO Council for further consideration.

International financing is vital to the creation and maintenance of a proper system of airports and aids to navigation and, consequently, to the development of international air transport service. Such financing involves the willingness of Governments to provide funds to be sent outside their own territories, under the supervision of an international organization, for facilities essential to their airlines on international routes.

STUDIES

The secretariat of ICAO is engaged in several studies of considerable economic significance for air transport. The ICAO has already published a study on *Airport Economics,* which contains important conclusions for the international air transportation industry. Most, if not all, international airports are being operated at a substantial loss at present but if air transport continues to expand in the future as in the past, a number of major airports may become self-supporting within a period of from five to ten years. Certain airports require international support; the level of landing charges at all international airports cannot satisfactorily be standardized, owing to the varied conditions under which airports of different types operate. Another publication issued by the secretariat of ICAO deals with the scale of airport charges prevailing in different countries.

The question of the international ownership and operation of international air transport services, which was discussed in the Air Transport Co-operation Committee of the League of Nations in 1930, has also been under consideration by ICAO. Before any economic conclusions can be reached on this proposal, however, certain basic legal and administrative problems concerning the international ownership of airlines have to be solved.

Following the instructions of the second Assembly of ICAO, the organization expects to publish a preliminary study of payment for airway facilities—a further step in the analysis of the cost of international air transport.

The carriage of air mail, which provides a very important source of revenue for the airlines, is a matter of special international interest. Questions involving carriage of air mail are within the sphere of activity of both the Universal Postal Union and

ICAO. The ICAO, in agreement with the Congress of the Universal Postal Union, has prepared a study of the economics of international air mail and will keep the problem under review.

The International Civil Aviation Organization has also made inquiries of member governments on the existence of burdensome insurance requirements in air transport. The analysis of replies from governments will add to existing information on the economic factors of air transport and may lead to concerted action by the contracting governments to reduce burdensome requirements.

Interim Commission for the International Trade Organization

The United Nations Conference on Trade and Employment, attended by representatives from fifty-seven countries, met from 21 November 1947 to 24 March 1948 and drew up the Havana Charter for an International Trade Organization, which was submitted to governments.[1] It was decided that the International Trade Organization should be established as soon as the requisite number of governments had ratified the charter.

The Havana Charter lays down the following objectives for an International Trade Organization: To assure a large and steadily growing volume of real income and effective demand; to increase the production, consumption and exchange of goods; to promote industrial and general economic development, particularly of countries in the early stages of industrial development; to encourage the international flow of capital for productive investment; to further the enjoyment by all countries on equal terms of access to the markets, products and productive facilities needed for their economic prosperity and development; to promote the reduction of tariffs and other trade barriers and the elimination of discriminatory treatment in international commerce; to enable countries, by increasing opportunities for their trade and development, to abstain from measures disrupting world commerce and reducing employment; and to facilitate the solution of problems relating to international trade in the fields of employment, economic development, commercial policy, business practices and commodity policy.

The Havana Conference also set up an Interim Commission to perform certain functions pending the establishment of the International Trade Organization. These functions, primarily concerned with preparatory work for the first session of the conference and the first year of operation of the organization, included the drafting of recommendations concerning the relationship of ITO with the United Nations and the specialized agencies, and the preparatory work relating to activities of ITO in the field of economic development and reconstruction.

General Agreement on Tariffs and Trade. Steps in the direction of reducing tariffs and other barriers to trade were taken by twenty-two major trading nations, which by 30 June 1948 [2] had provisionally applied the tariff concessions negotiated in Geneva in 1947 and embodied in the General Agreement on Tariffs and Trade. It was estimated that in this General Agreement mutual concessions were made on more than 45,000 items. The contracting parties to the General Agreement met twice in 1948—during March in Havana and from 25 August to 14 September in Geneva. A second series of tariff negotiations with an additional eleven countries began in April 1949 at Annecy, France.

Preparatory Committee of the Inter-governmental Maritime Consultative Organization

The United Nations Maritime Conference, convened by the Economic and Social Council, met during February and March 1948 in Geneva where it prepared and opened for signature a Convention providing for the establishment of an Inter-governmental Maritime Consultative Organization.[3] The Conference also established a Preparatory Committee to convene the first session

[1] United Nations Conference on Trade and Employment, *Final Act and Related Documents* and *Reports of Committees and Principal Sub-Committees.*

[2] By March 1949 the total was twenty-three nations.

[3] United Nations Maritime Conference, *Final Act and Related Documents.*

of the Assembly of the organization and to prepare the provisional agenda. The Preparatory Committee held one meeting in Geneva immediately after the Conference and another at Lake Success late in 1948.[1]

The Convention defined the purposes of the new organization as follows:

To provide machinery for co-operation among governments in the field of governmental regulation and practices relating to technical matters, including those concerning safety at sea;

To encourage the removal of discriminatory action and of unnecessary restrictions by governments;

To consider matters concerning unfair restrictive practices by shipping concerns;

To consider any matters concerning shipping which might be referred to it by any organ or specialized agency of the United Nations;

To provide for the exchange of information among governments on matters under consideration by the organization;

To provide for the drafting of conventions and agreements, and to recommend these to governments and to inter-governmental organizations, and to convene such conferences as may be necessary.

It was decided that the organization should include an Assembly, a Council, a Maritime Safety Committee and a secretariat. The headquarters are to be in London.

The Inter-governmental Maritime Consultative Organization was to come into existence when the Convention had been ratified by twenty-one nations, of which seven each should have a tonnage of not less than one million gross tons of shipping.

[1] For report of the work of the second session, see IMCO/PC3.

CHRONOLOGY

OF

MAJOR ECONOMIC EVENTS

CHRONOLOGY OF MAJOR ECONOMIC EVENTS

December 1947 to March 1949

DECEMBER 1947

1 *Italy-Yugoslavia.* Five-year trade agreement concluded, providing for ordinary annual trade of 12 to 14,000 million lire in each direction; Yugoslavia to export timber, coal, ores and food in exchange for sulphur, sugar, citrus fruit, textiles and industrial products; Italy to export, over five-year period, $150 million in electrical, mechanical and chemical products; Yugoslavia to provide raw materials and pay balance in extra foodstuffs and raw materials.

Finland-USSR. Commercial agreement signed; Finland to provide USSR with timber, prefabricated barracks, cellulose and paper in exchange for metals, fertilizers, food and fodder.

2 *Austria-France.* Trade agreement signed, raising exchange of goods to 1,000 million francs annually; Austria to receive motor cars, tires, potato seeds and sardines in exchange for prefabricated barracks, wood, matches and lace.

Austria-Sweden. One-year trade agreement signed; Sweden to deliver iron ore, chemicals, hides, paper and machinery and to receive luxury and consumer goods; payments in Swedish currency.

3 *United Nations Educational, Scientific and Cultural Organization.* Second General Assembly ended in Mexico City, having voted budget of $7.7 million for 1948.

5 *Canada-Netherlands-US.* Agreement concluded on German assets within area of Inter-Allied Reparations Agency.

UK-US. Withdrawal of remaining $400 million of US loan to UK authorized by US.

United Nations, Economic Commission for Europe. Four temporary agreements among various European governments for freedom of international road transport of goods and persons announced. (Agreements later extended in October 1948 to 1 January 1950.)

6 *Netherlands-Sweden.* Trade agreement concluded, providing for exchange of Netherlands coke, dairy products, electrical equipment and textiles, for Swedish iron ore, timber and manufactured goods.

United Nations, Economic Commission for Asia and the Far East. Second session in

Baguio, Philippines; Working Parties for Industrial Development and Trade Promotion established; creation of Bureau of Flood Control recommended.

Belgium-France. One-year commercial agreement concluded; to exchange Belgian Congo raw materials for mechanical equipment, motor cars and consumer goods.

Hungary-Sweden. Trade agreement signed; Hungary to deliver textiles and metallurgic products in exchange for cellulose, ball-bearings and news-print.

9 *France.* Month-old strikes ended in coal, iron and steel industries.

India-Pakistan. Financial settlement concluded; Pakistan to receive 750 million rupees of pre-partition treasury balance of 4,000 million rupees and undertake to pay 17.5 per cent of former liabilities of India.

10 *Japan.* Law limiting size of corporations and nationalizing coal mines and food, coal and liquor distribution passed by Diet.

11 *Belgium.* Restriction of dollar purchases to essential foodstuffs, raw materials and equipment became effective.

Czechoslovakia-USSR. Five-year trade agreement for exchange of $500 million in goods each way announced; provisions for 1948 included exchange of $120 million USSR goods for $100 million Czechoslovak supplies, balance to be covered by a USSR credit; in 1948 USSR to provide 600,000 tons of grains and feedstuffs.

12 *Germany.* Maximum annual steel production of Germany set at 11.5 million tons by agreement of foreign ministers of France, USSR, UK and US in London.

Hungary-USSR. Agreement reached on $45 million of German assets in Hungary claimed by USSR under Potsdam Agreement; in exchange for assets Hungary agreed to pay $30 million in cash over the next three years, the money to be invested in joint Hungarian-USSR industrial enterprises, and to pay $15 million

December 1947 (*continued*)

in deliveries in kind over four-year period beginning 1 January 1948.

14 *USSR.* Monetary reform instituted; food rationing ended; system of uniform official prices established.

15 *Austria-Netherlands.* One-year trade agreement concluded, providing for exchange of Austrian steel, tools and materials for Netherlands foodstuffs and industrial products.

17 *France-UK-US.* Agreement with Italy concluded; latter to receive 23 tons of gold recovered from Nazis; gold to be used in reparation payments, 14.5 tons to France and 8.5 tons to Yugoslavia.

Germany, UK and US zones. New financial arrangements agreed on for 1948; US to pay for most imports; UK's share of occupation and administrative costs to be reduced to one-third.

18 *Australia-India.* Wheat agreement concluded for latter's purchase of 17 million bushels at 17 shillings a bushel.

Canada-UK. Food agreement renewed; new terms arranged for UK imports of Canadian raw materials.

19 *Australia-UK.* One-year agreement concluded for delivery to UK of 30 million bushels of wheat at 17 shillings a bushel.

Hungary-Netherlands. Trade agreement concluded for exchange of Netherlands tin, rubber, chemicals and metallurgical products for Hungarian wood, cork and raw materials.

Sweden-UK. Trade agreement concluded, permitting trade to be extended in 1948 to a total of £50 million each way during year.

20 *European Coal Organization.* Activities transferred to Coal Committee of Economic Commission for Europe.

Sweden-Poland. One-year treaty concluded for purchase by Sweden of 680,000 tons of coal.

22 *Austria.* Financial measures, approved 4 December by occupation authorities, came into force; included settlement of Austria's debt to USSR at 600 million schillings and new currency on basis of one new schilling for three old, above the amount of 150 schillings.

December 1947 (*continued*)

Czechoslovakia-Netherlands. One-year trade agreement signed, increasing exchange from 3,500 to 5,500 million crowns; Netherlands to deliver tin, rubber, copra, chemicals and foodstuffs and to receive trucks, tires, textiles, paper, lead and chemicals.

23 *Czechoslovakia-Romania.* Trade agreement concluded; Romania to export livestock and foodstuffs in exchange for steel, equipment and coke.

Germany. Agreement reached by French, UK and US representatives on export of coke to France, at rate of 7.6 million tons annually when daily output of hard coal reaches 300,000 tons and 8.4 million tons annually when daily output reaches 330,000 tons.

Norway-USSR. 1948 trade agreement announced.

US. Appropriation bill for $880 million for emergency relief to Europe, China and occupied areas signed, including $340 million for occupation costs in Germany, Japan, Ryukyu Islands and Korea.

27 *USSR-UK.* Trade and payments agreement concluded; UK to receive, by September 1948, 750,000 metric tons of coarse grains and USSR to receive light steel rails; UK to facilitate contracts of USSR with UK firms for supply of engineering and other equipment, wool, rubber and aluminium over a three- or four-year period; interest rate on UK's war-time credits to USSR reduced to 0.5 per cent and period of repayment extended; UK waived claims for costs of supplies and services to USSR during the war. Agreement subject to revision.

29 *US.* Anti-inflation bill signed, granting one-year extension of export and transportation controls, authorizing food conservation and production programme and limiting use of grain by distillers until 31 January 1948.

31 *Sweden-USSR.* One-year trade agreement concluded; USSR to export cereals, magnesium and chromite in exchange for steel, wolfram and cattle.

United Nations Relief and Rehabilitation Administration. Operations ceased with completion of programme in China (European operations ended 30 June 1947) after expenditure totalling $4,000 million; residual assets to be liquidated.

JANUARY 1948

1 *Germany, UK and US-USSR zones.* Trade to be increased in 1948 between the UK and US zones and the USSR zone by 50 per cent over 1947 levels, to 312 million marks, in accordance with agreement signed 25 November 1947.

Germany, USSR zone-Norway. Trade agreement signed; Norway to export fish, fats and industrial products in exchange for phosphates and machinery.

UK. Nationalization of railways became effective.

US. Tariff reductions for Australia, Benelux, Canada, Cuba, France and UK went into effect in accordance with General Agreement on Tariffs and Trade.

Argentina-Venezuela. Five-year trade agreement concluded; Venezuela to deliver 1.5 million tons of crude oil annually in return for cereals and foodstuffs.

2-3 *US.* $522 million interim aid programme inaugurated; France to receive about $300 million, Austria $50 million, and Italy at least $160 million.

3 *France.* Convention signed extending French economic and financial legislation to the Saar, effective 1 April.

5 *Egypt-UK.* Financial agreement of 30 June 1947 extended to 31 December 1948, providing for release from blocked sterling balances by UK in 1948 of £32 million—£21 million to cover adverse balance of payments and £11 million to increase Egypt's working balance.

9 *Poland-Switzerland.* Swiss purchase of 680,000 tons of coal arranged.

15 *Canada.* Price ceilings reimposed on meat and butter.

US. Commercial commodity shipments to Europe to require licences after 1 March, according to announcement.

19 *France-Spain-UK-US.* Agreement reached on disposition of German assets in Spain.

Germany. Terms of new charter of Anglo-American Joint Export-Import Agency and its fiscal instrument, the Joint Foreign Exchange Agency, announced.

Hungary-USSR. Increase in credit value of Hungarian reparations agreed to by USSR; to effect reduction of $70.2 million on $155 million remaining liability, $45 million having been paid.

January 1948 (*continued*)

20 *Australia-Italy.* Pact permitting 100,000 Italians to emigrate to Australia in 1948 came into force.

Union of South Africa-UK. £80 million loan granted to UK.

21 *Belgium-Luxembourg-USSR.* Trade and payments agreement concluded; USSR to export grain, timber, cellulose, manganese ore and furs in exchange for rolled steel, non-ferrous metals, power-station equipment, electrical appliances and textiles.

24 *Czechoslovakia-New Zealand.* Trade agreement concluded; former to buy £1 million of wool on credit.

UK. Gas industry nationalized.

25 *Bulgaria.* All industry nationalized except cooperatives and foreign-owned firms.

France. Reduction of par value of franc from its controlled rate by 44.444 per cent announced; free market created on which certain currencies (starting with US dollars and Portugese escudos) to be quoted; modifications proposed by International Monetary Fund rejected.

26 *Poland-USSR.* Two trade agreements concluded. The first provided for mutual deliveries of goods to a total value of $1,000 million; USSR to provide iron, chromium, manganese ores, oil products, cotton, aluminium, asbestos and tractors; Poland to supply coal, coke, textiles, sugar, zinc, steel, railway rolling stock and cement; prices to be fixed annually on basis of world prices. Second agreement provided for delivery by USSR to Poland over a five-year period of industrial, chemical plant, textile and other equipment; to cover the deliveries USSR granted a medium-term credit up to $450 million; USSR also agreed to deliver an additional 200,000 tons of grain, bringing the total to 500,000 tons for the current crop year.

27 *Belgium and Luxembourg-Sweden.* Trade agreement for 1948 concluded. Sweden to deliver iron ore, special steels, ball-bearings, cellulose, wood and paper against heavy industrial and chemical products, electric equipment, rubber and lead.

Italy-Sweden. 300 million crown trade agreement concluded; Italy to deliver textiles and citrus fruits and to receive cellulose, paper and machinery.

France-UK-US. Agreement announced by Economic Commission for Europe; UK and US to

January 1948 (*continued*)

increase amounts of Saar coal to France; France to receive total Saar production after 1 April 1949.

28 *Czechoslovakia-Poland.* Agreement concluded; Czechoslovak industrialists to receive 1.15 million tons of iron ore, pyrites and phosphate.

30 *India.* Export price control on cotton cloth and yarn lifted for all countries save Australia, British East Africa and Anglo-Egyptian Sudan.

FEBRUARY 1948

2 *Food and Agriculture Organization of the United Nations.* World food production 7 per cent less in 1947 than in 1937 while population was 10 per cent higher, according to report.

France-Lebanon. Financial settlement reached following French currency devaluation.

Switzerland-UK. Agreement reached on balancing trade for 1948-49, for UK to increase exports and avoid further gold losses.

3 *Italy-UK.* Agreement reached provisionally fixing trade between Italy and sterling area at £45 million annually in each direction; Italy to import wool, rubber, mineral oils, leather, tin, in exchange for citrus fruits, vegetables, mercury and industrial products. Pre-war Italian debts to persons in UK to be paid by funds placed at Italy's disposal by enemy property custodian, supplemented by £3.5 million of £10 million left on deposit in Bank of England under April 1947 agreement.

4 *Finland-Sweden.* Agreement concluded, increasing trade from 75 million crowns in 1947 to 112 million crowns in 1948; Sweden to export 53 million crowns of iron and steel, ball-bearings and chemicals, in exchange for 59 million crowns of Finnish foodstuffs and copper.

India. Reserve and Imperial Banks of India nationalized.

6 *Germany, UK and US zones.* New charter published for economic administration, to take effect 9 February; establishment of economic council, Land Union Bank and high court provided.

Norway-Poland. One-year trade agreement concluded; Poland to export coal, coke and metallurgic products, sugar, textiles and ores in exchange for fish, fats, fertilizers and pyrites.

Union of South Africa-UK. UK loan of $320 million in gold granted.

February 1948 (*continued*)

7 *France-Spain.* Agreement concluded; common frontier to be reopened for passenger traffic and for postal, telephone and telegraphic communications from 10 February and for transit goods from 1 March.

World Health Organization, Interim Commission. Conference in Geneva closed, having approved 1948 budget of $6 million.

9 *Organisation for European Economic Co-operation.* Man-power conference convened by Italian Government, attended by delegates and observers from 17 countries and 5 international organizations; concluded with agreement to establish permanent man-power organization to deal with problem of estimated man-power deficiency in certain countries in 1948, of 380,000 against approximately 2 million surplus (1.7 million Italians and 300,000 displaced persons).

11 *France.* Measures adopted to stop further price rises, especially of foodstuffs; including imports from Argentina and Italy of 35,000 tons of vegetables, 8,000 tons of meat and 1.5 million litres of wine.

Sweden-US. Agreement permitting Sweden to curtail American imports without violating US-Swedish trade agreement announced.

12 *Argentina-UK.* Andes Agreement signed; Argentina to purchase for £150 million UK-owned Argentine railways, effective 1 March 1948, and export during 1948 maize, wheat, oil and fats and frozen meat in exchange for UK coal, steel, petroleum, tin, lead, chemicals and agricultural machinery; Argentina granted most-favoured nation treatment to British Commonwealth, excluding Canada and Newfoundland.

13 *Germany.* New economic commission established for USSR zone.

14 *Norway-UK.* Agreement reached on UK £3.25 million purchase of 110,500 tons of fish for use in UK and US zones of Germany.

Germany-Sweden. Trade agreement concluded; Sweden to export to UK and US zones 1.25 million tons of ore.

17 *Belgium-France.* Plan concluded for payment of French trade deficit of 1,200 million Belgian francs, 300 million by gold transfers and 900 million in cash installments and merchandise.

Germany, UK and US zones. Guarantee announced by Anglo-American Export-Import Agency of $300 million for raw material imports for 1948 for UK and US zones.

February 1948 (*continued*)

18 *Belgium and Luxembourg-USSR.* Trade and payments agreement concluded, USSR to export grain, timber, cellulose, manganese ore and furs in exchange for rolled steel, non-ferrous metals, power station equipment, electrical appliances and textiles.

Germany, USSR zone-Yugoslavia. Trade agreement concluded; Yugoslavia to deliver foodstuffs and raw materials and receive machinery, textiles and electrical equipment.

Romania-USSR. Trade and payments agreement for 1948 concluded; Romania to export manufactured products in exchange for machine-tools, agricultural equipment and grains; USSR technicians to work in Romania, especially in oil mining.

20 *Argentina-Venezuela.* Two-year trade agreement concluded; Venezuela to deliver annually 2 million barrels of oil and receive 15,000 tons of frozen meat.

Finland-Poland. One-year trade agreement concluded; Poland to deliver coal, iron, metallurgical products, machinery, chemicals, sugar and salt in exchange for cellulose, paper and copper; Finland to pay difference in cash.

France-Hungary. November 1947 trade agreement renewed; Hungary to exchange agricultural goods, seeds, meat and tractors for French trucks, buses, fertilizer, textiles and chemical products.

21 *Food and Agriculture Organization of the United Nations.* Fourth conference of European national committees concluded; adopted recommendations for increased food production and greater co-operation between eastern and western European countries.

Palestine-UK. Blocking until 15 May of Palestine sterling balances, except for certain fixed sums and £7 million for current expenditure, announced by UK treasury.

22 *Denmark-UK.* Nine-month trade agreement ending 30 September concluded; total value £100 million; Denmark to ship 62.5 per cent of exportable surpluses of butter, 80 per cent of bacon, 85 per cent of eggs, together with other foodstuffs in exchange for coal, iron, steel, petroleum products and manufactured goods.

Pakistan. Price controls on cotton abolished; easing of export permit controls announced.

Palestine and Transjordan-UK. Withdrawal from sterling area by Palestine and Transjordan, because of blocking of Palestine sterling balances.

February 1948 (*continued*)

24 *Canada.* Law adopted limiting imports from US as dollar-conservation measure.

Denmark-Iceland-Norway-Sweden. Agreement concluded by foreign ministers for immediate establishment of joint northern committee for economic co-operation.

Norway-US. Agreement signed settling Norway's war-time lend-lease account of $47 million; Norway to pay $5.9 million in crowns and property, including the return of ten Liberty ships; US renounced claims for $37 million in war-time supplies; Norway waived claims for $1 million.

25 *United Nations, Economic Commission for Europe.* Increased allotments to Belgium, France and Luxembourg announced by Coal Allocations Committee in attempt to raise steel production capacity of western European producers by 1.5 million tons in March-to-August period.

27 *Netherlands-UK.* Financial settlement of war-time debts reached; one-year trade agreement signed to value of £70 million, an increase of 20 per cent over 1947; UK to export coal, steel and additional raw materials, in exchange for agricultural and dairy products.

UK-Uruguay. Agreement by Uruguay to purchase UK-owned railways for £7.15 million.

28 *Germany, French zone-Greece.* $1.2 million trade agreement concluded; Greece to deliver tobacco, hides and bauxite and to receive chemicals and paint.

29 *Denmark-Switzerland.* 1948 trade agreement concluded; Denmark to furnish foodstuffs in exchange for textiles, metallurgic products, chemicals and watches.

Denmark-Yugoslavia. Previous trade agreement extended to 31 December 1948; Danish exports to remain practically unchanged; Yugoslav exports to include additional quantities of grain, coal and asbestos.

France-Poland. Agreement concluded for repatriation of 16,000 Polish workers in 1948.

MARCH 1948

2 *Finland-UK.* Trade agreement concluded; Finland to export wood pulp, pitprops and other timber products in exchange for coal, coke and steel.

3 *Poland-UK.* Agreement announced to increase 1948 trade to £11 million from £6.5 million in 1947.

March 1948 (*continued*)

3 *Egypt-USSR.* Trade agreement announced, with most-favoured nation clause; USSR to exchange maize and wheat for cotton.

4 *Belgium and Luxembourg-Denmark.* Trade agreement for 1948 concluded, totalling 480 million crowns; Belgium and Luxembourg to exchange steel, iron and machinery for foodstuffs and livestock.

Denmark-Sweden. Trade agreement concluded, effective to 31 January 1949; Sweden to deliver 125 million crowns of goods, Denmark 145 million crowns; Danish balance of 20 million crowns to be applied against Swedish post-war credits.

United Nations, Maritime Conference. Establishment of Inter-governmental Maritime Consultative Organization voted; 12-nation preparatory committee named.

5 *Czechoslovakia.* Nationalization bill published; Government to acquire 69 per cent of printing establishments, all chemical industry and building firms hiring more than 50 persons; to close private wholesale establishments and direct all foreign trade.

6 *France-UK-US.* Conference on Germany concluded (from 23 February in London); agreement reached by France, UK and US on international control of Ruhr, Germany's participation in European Recovery Program, closer economic integration of French with UK and US zones, federal government for Germany and association of Benelux in policy relating to Germany.

10 *Italy-Netherlands.* One-year trade and payments agreement concluded; Italy to deliver machinery and processed goods; Netherlands to export raw materials and foodstuffs.

11 *United Nations, Economic and Social Council.* Sixth session concluded (from 2 February).

12 *Belgium-UK.* Trade and payments agreement concluded, 1 January 1948 to 30 June 1949; the sterling area to export £124 million of goods, with UK coal exports to be resumed, and to import from Belgian franc area £111 million of steel, flax, fertilizers, copper, additional raw materials and manufactured goods, leaving £13 million balance in favour of sterling area.

UK-US. Agreement signed for resumption of UK import of US films, limiting remittances to US to $17 million plus earnings of British films in US.

March 1948 (*continued*)

13 *Food and Agriculture Organization of the United Nations.* Conference in Baguio, Philippines concluded; agreed on establishment of regional organization for south-east Asia, to include Australia and New Zealand, and also Japan and Korea when they become independent.

16 *Germany, USSR zone-Poland.* Trade agreement concluded, $56 million total value.

17 *Switzerland-USSR.* Two trade agreements signed; USSR to establish trade delegation in Berne, and to export food grains, timber, fuel oils and chemicals in exchange for Swiss machinery and industrial equipment, pharmaceutical products, textiles, footwear, cheese and cattle; USSR deliveries to be effected during first year, starting 1 April 1948, and Swiss deliveries during 1948-49 except for certain equipment to be sent USSR during 1949-51. All payments to be made either in Swiss francs or in other freely convertible currencies.

18 *Argentina-Netherlands.* Five-year trade and payments agreement signed; Netherlands to build seven ships for Argentina and export machinery, textiles, electric equipment, chemicals, tin and crude rubber in exchange for 450,000 tons of grain, hides, wool, meat, oils and fats, etc. Exchange during first year to be more than double that of 1947.

19 *Egypt.* Import control measures of August 1947 lifted; all imports except those from France, Italy, Switzerland and US to become free.

France-Poland. Agreement signed for exchange of $60 million of goods during 1948-52; Poland to export 4.5 million tons of coal in exchange for French capital goods; Poland to pay indemnity for nationalized French properties.

20 *Argentina-Bolivia.* Trade and financial agreement covering 1947-51 came into full effect; Argentina to exchange cattle and foodstuffs for Bolivian timber, tin and chemicals; Argentina to grant Bolivia a revolving credit of 50 million pesos and to invest in Bolivian construction projects.

France-Italy. Protocol signed relating to customs union; also agreements increasing trade to 30,000 million francs, three times the previous figure.

France-Switzerland. Trade and payments agreement signed, effective 1 April, Swiss franc

March 1948 (*continued*)

to be introduced on French free exchange market; 50 per cent of both countries' trade to be calculated at free market rates. As result of agreement, also applicable to French North Africa, Swiss Government released immediately all French balances blocked in Switzerland since 1940.

Czechoslovakia-Romania. Trade agreement announced; Romania to receive coke, iron, machinery and steel against agricultural products.

24 *United Nations Conference on Trade and Employment.* Final act signed at Havana by 53 nations; conference drafted charter for an International Trade Organization and adopted resolution establishing an Interim Commission for ITO.

26 *Hungary.* Industries employing more than 100 workers nationalized.

31 *US.* Additional "stop-gap" aid bill to France, Italy and Austria signed; total $55 million. In addition total allocations announced of $350 million post-UNRRA relief programme; amounting to $332 million on 31 March, major appropriations as follows: Austria $86.5 million, China $45.1 million, Greece $37.8 million, Italy $117 million, Trieste $12.5 million and International Children's Emergency Fund $30 million.

APRIL 1948

1 *Denmark-Germany, USSR zone.* Agreement to total value of $1.3 million concluded; Denmark to export fish, potato seeds and vitamins in exchange for paper and machinery.

Germany, UK and US zones-Italy. $10 million trade agreement concluded.

Netherlands-Romania. Trade agreement concluded; Netherlands to receive 40,000 tons of agricultural products in exchange for machinery and industrial products.

Netherlands-Yugloslavia. Three-year trade agreement concluded, retroactive to 1 February; Netherlands to receive grain, wood, copper, mercurium in exchange for ships, chemicals and rubber; exchange to amount to 100 million guilders for first year and to be determined each year thereafter.

UK. Nationalization of electric power companies scheduled.

United Nations. Australian gift offer announced; raw wool valued at £A 1.1 million to Austria, Greece, Italy, Poland and Yugoslavia as contribution to post-UNRRA relief.

April 1948 (*continued*)

3 *Argentina-Spain.* Trade pact revised; Argentina extended new four-year credit of 4,500 million pesetas for foodstuffs and received increased Spanish exports, rights of investment in Spanish industries and use of port facilities.

US. Bill authorizing foreign aid signed; European Recovery Program, $5,300 million; aid to China $463 million; aid to Greece and Turkey $275 million; contribution to United Nations International Children's Emergency Fund $60 million.

5 *Hungary-UK.* Financial agreement reached on settlement of Hungarian pre-war short-term debts to UK; 77.5 per cent of debts to be cancelled and remaining 22.5 per cent to be paid as follows: £100,000 within one year out of Hungarian exports, and £100,000 out of Hungarian assets seized under peace treaty.

US. Reconstruction Finance Corporation ordered by President to make $1,105 million immediately available to European Recovery Program.

7 *World Health Organization.* Became ninth specialized agency of United Nations after ratification of its constitution by 36 members.

8 *Organisation for European Economic Co-operation.* Permanent man-power committee established in Rome.

9 *US.* Shipment under European Recovery Program begun with authorization of $21 million of supplies to Austria, France, Greece and Netherlands.

10 *Belgium-Portugal.* Trade agreement concluded, totalling 900 million escudos.

13 *Austria-Sweden.* One-year agreement concluded, to increase trade over 1947 by 13 million, to total 32 million crowns; Austria to exchange iron, machinery and textiles for Swedish iron and steel, fish and chemicals.

France-UK. Agreement by UK to lend France 34,000 tons of wheat, until 1948 harvest, announced.

Germany. Allocation by Inter-Allied Reparations Agency of £14 million of former German merchant fleet among UK, France, Netherlands, Greece and US; US declined to accept 65 per cent of its allocation.

16 *Organisation for European Economic Co-operation.* Convention for creation of permanent organization signed by delegates of 16 Powers taking part in European Recovery Program.

April 1948 (*continued*)

16 *Sweden-Switzerland.* Agreement concluded on goods and payments, to 30 April 1950, to replace 1947 agreement.

17 *Egypt-Italy.* Financial agreement concluded; Italy to extend $10 million five-year loan and Egypt to remove restrictions on Italian frozen assets in Egypt.

18 *Denmark-Finland.* 1948 trade agreement concluded, involving Danish exports of 108 million crowns as against Finnish exports of 116 million, difference to be used to pay for previous Danish exports.

19 *Italy-Poland.* Agreement reached; Poland during 1948 to deliver 750,000 tons of coal, 450,000 tons to be shipped and remainder sent by rail; agreement also provided for exchange of Polish iron and wood for Italian industrial and agricultural products.

20 *Austria-Belgium.* Agreement concluded for exchange of goods amounting to 200 million Belgian francs.

21 *Japan-US.* Agreement by Export-Import Bank and private banks to $60 million loan, for Japanese purchase of American cotton, announced; 40 per cent of cotton cloth produced to be consumed in Japan, balance to be sold in Japan's pre-war export markets.

Poland-UK. Government-guaranteed credits granted to Poland by London banks; £6 million to cover purchase by Poland of UK capital goods, and short-term revolving credit of £1.5 million for purchase by Poland of UK raw materials, mainly wool; loans to be repaid out of Polish exports to UK.

23 *Organisation for European Economic Co-operation.* First meeting of Executive Committee held in Paris.

Poland-Sweden. Agreement concluded for 1948 Swedish purchase of 4 million tons of coal and coke.

24 *Finland-France.* Trade agreement of 9,500 million francs concluded; Finland to deliver timber in exchange for fertilizers, steel, iron and textiles.

26 *Federation of Malaya-UK.* Assessment of war damage to Federation of Malaya and Singapore at £55 million; settlement of £10 million fixed as free grant, £35 million in interest-free loans, £10 million to be repaid from Japanese reparations; no annual payment to exceed £6 million from 1949 through 1951.

April 1948 (*continued*)

30 *Egypt.* Imports from US, Switzerland and Belgium suspended as result of lack of foreign currency.

Inter-American Conference (from 30 March). Final act signed by 21 states, creating new Organization of American States; decided on economic conference in autumn.

MAY 1948

1 *France-Spain.* One-year trade agreement signed, effective 15 May, totalling 26,000 million francs; France to export phosphates, chemicals, electrical equipment, motor cars and trucks in exchange for Spanish minerals, metals and foodstuffs.

Hungary-UK. Trade agreement to value of £9 million concluded; Hungary to receive machinery for food and raw materials.

2 *Norway-Sweden.* Trade agreement totalling £80 million concluded; Norway to export fish, fats and timber and receive steel and iron.

4 *Benelux-Czechoslovakia.* One-year trade agreement concluded; to 28 February 1949, for 3,000 million Belgian francs, increase of one-third over 1947; Czechoslovakia to export chemicals, clothes, machinery, etc., in exchange for raw materials.

6 *UK.* Clothing and shoe rations eased.

8 *Germany.* Agreement reached among France, Spain, UK and US on expropriation and liquidation of Spanish property of Germans not residing in Spain; value of property estimated at 600 million pesetas ($55 to $80 million).

United Nations, Economic Commission for Europe. Third session held in Geneva (from 26 April).

11 *South Pacific Commission.* First meeting held; attended by Australia, France, Netherlands, New Zealand, UK and US as administrators of the Non-Self-Governing Territories of the area.

12 *International Refugee Organization.* Preparatory Commission session held (from 4 May); resulted in plans to assume operational responsibility for refugees and displaced persons from 1 July.

13 *United Nations Educational, Scientific and Cultural Organization.* Agreement by Hylean Amazon Conference to establish International Institute of the Hylean Amazon; agreement signed by Bolivia, Brazil, Colombia, Ecuador, France, Netherlands, Italy, Peru, Venezuela.

May 1948 (*continued*)

14 *Spain-UK.* One-year trade agreement for total of 1,700 million pesetas (US $190 million) on each side concluded; Spain to export potash, pyrites, iron ore and foodstuffs in exchange for UK coal, machinery, chemicals, electrical goods, etc.

17 *Argentina.* Remittances in hard currencies, US dollars, Swiss francs and Swedish crowns suspended.

18 *Ceylon-UK.* Financial agreement concluded; Ceylon to receive £3 million from blocked account to cover 1948 deficit in payments.

21 *Brazil-UK.* Trade and payments agreement concluded, involving exchanges totalling £68.5 million in 1948; UK to export coal, petroleum products, agricultural and industrial machinery in exchange for foodstuffs and raw materials; payments to be settled in sterling.

24 *Czechoslovakia-Switzerland.* Compensation agreement for nationalized properties of Swiss nationals in Czechoslovakia concluded.

Czechoslovakia-Yugoslavia. Trade pact for 1948 amounting to $50 million signed.

International Labour Organisation. Extensive revision of Convention on migration for employment and establishment of clearing house for employment information announced.

25 *France-Portugal.* One-year trade agreement for exchange of 14,000 million francs, almost three times 1947 figure, concluded; France to exchange chemicals, machinery, textiles, iron and steel for pyrites, metal ores and fats.

JUNE 1948

1 *Brazil-Hungary.* One-year $10 million trade agreement anounced; Brazil to export cotton and coffee, in exchange for industrial products.

Benelux-France-UK-US. Conference on Germany (from 20 April in London) concluded with an agreement on establishing western German state in 1949, controlling Ruhr resources by an international authority (Belgium, France, UK, US, Luxembourg, Netherlands and Germany).

France-UK. Agreement by UK announced to advance France £10 million repayable 30 September to overcome immediate balance of payments difficulties.

June 1948 (*continued*)

3-4 *Finland-USSR.* Agreement by USSR announced to reduce by half unpaid balance of Finland's war reparations as of 1 July; reduction amounted to $75 million, Finland having paid half of the $300 million total; Finland accepted USSR offer of $5 million short-term credit at 2 per cent interest.

4 *Colombia-Ecuador-Panama-Venezuela.* Establishment of customs union approved by preliminary conference in Quito.

France-Norway. One-year trade agreement signed totalling 14,000 million French francs; Norway to export fertilizers, fish, cellulose and wood pulp in exchange for French wines and electrical equipment.

France-Ireland. Trade agreement signed; Ireland to import chemical fertilizer, cement, yarn and motor cars and to export tweeds, textiles and cattle.

7 *Romania-USSR.* USSR agreed to halve Romania's reparations as from 1 July.

8 *Argentina-Yugoslavia.* Four-year trade agreement valid until 31 December 1951 signed; Argentina to supply during first year hides, wool, linseed oil, tallow and casein; Yugoslavia to deliver cement, caustic soda, hops and timber; provisions included most-favoured nation clause for merchant shipping.

Benelux. Economic union agreed upon by ministers of Belgium, Luxembourg and Netherlands to become fully effective in 1950.

Egypt-France. Trade and payments agreement signed; French goods to be admitted to Egypt free from import licences and quota restrictions; Egyptian exports to France to be increased.

10 *United Nations, Economic Commission for Europe.* Allocation of 11.5 million tons of coal for third quarter of year, to 15 countries with requirements of 19.1 million tons, announced by Coal Committee; deficit figure of 7.6 million tons referred to US for consideration among allocations of US coal.

11 *Romania.* Nationalization of industry, banks and transport voted by Grand National Assembly.

12 *United Nations, Economic Commission for Asia and the Far East.* Third session held (from 1 June) in Ootacamund, India.

15 *Australia.* Rationing of meat and clothing abolished and certain price stabilization subsidies withdrawn.

June 1948 (*continued*)

15 *US*. Reciprocal Trade Agreements Act renewed by Congress for another year.

16 *Mexico*. Concessions cancelled for all foreign telegraph, radio and cable companies.

18 *Germany, French, UK and US zones*. Currency reform introduced as on 20 June (sectors of Berlin not included); USSR authorities restricted traffic between USSR zone and western zones as on midnight 18 June.

20 *Denmark-Italy*. Trade and payments agreement concluded to total 120 million crowns yearly; Italy to export foodstuffs, wine, textiles and machinery and to receive fish, livestock and poultry.

21 *Brazil-Norway*. Entry into force of trade agreement.

Denmark-Netherlands. One-year trade agreement of 36 million florins, to 31 May 1949, completed; Denmark to exchange grain, livestock and fish for copra, tin and textiles.

Hungary-Romania. Trade agreement concluded; Hungary to export tools, agricultural machinery and material for railways in exchange for oil, timber, raw materials and metals.

International Civil Aviation Organization. Series of agreements on technical, legal and economic standards for international airlines approved by Assembly meeting in Geneva, to take effect in 1951.

23 *Argentina*. New regulations issued by Central Bank governing transfer of funds abroad and granting import permits to increase trade and entry of foreign capital.

Germany. New currency introduced in USSR zone, valid from 24 June; western "B" mark introduced into western sectors of Berlin.

25 *United Nations, Economic Commission for Latin America*. First session held (from 7 June) in Santiago, Chile.

26 *Chile-UK*. Payments agreement designed to increase trade signed.

28 *US*. Foreign aid bill of $6,031 million, to be spent on a 12- or 15-month basis at President's discretion, signed; aid to be divided as follows: European Recovery Program $4,000 million; occupied areas (including Japan, Korea and the Ryukyu Islands) $1,300 million; China $400 million; Greece and Turkey $225 million; International Children's Emergency Fund $35 million.

June 1948 (*continued*)

30 *Food and Agriculture Organization of the United Nations*. Continued allocation of foods in short supply approved by International Emergency Food Committee.

General Agreement on Tariffs and Trade. Agreement signed by 30 June deadline by 22 of 23 nations which negotiated agreement; Chile requested time extension.

Germany, USSR zone-Hungary. Concluded one-year trade and payments agreement.

UK. Report published by Council for Colonial Economic Development outlining five plans involving total expenditure of £28 million in coming ten years.

JULY 1948

1 *France-Sweden*. New three-year payments agreement concluded, effective 15 July.

Pakistan. State bank to control the Dominion's currency and foreign exchange came into operation.

Spain-Sweden. One-year trade agreement to value of $118 million concluded; Spain to export chemicals, textiles, fruit, potash, and receive wood, machine tools, electrical equipment and steel.

Sweden-Turkey. One-year trade and payments agreement concluded; Sweden to export paper, cotton, tools and machinery in exchange for cotton, skins, furs, tobacco, etc.

2 *Netherlands-USSR*. Agreement on trade and payments concluded.

UK-Yugoslavia. Contract signed for £1.8 million timber purchase by UK.

3 *Switzerland*. Food rationing ended.

5 *Germany, USSR zone*. Establishment of Control Commission charged with supervision of new two-year production plan for 1949-50 announced.

UK. National Insurance Acts came into force, including comprehensive social security and national health plans covering 27.5 million persons; total annual costs estimated at $2,000 million to be derived mainly from taxation and employee and employer contributions.

7 *Finland-Netherlands*. Agreement concluded, increasing trade by one-fifth; to expire 31 May 1949; Finland to import 74 million guilders of flax, oil, fish, chemicals and machinery and to export 78 million guilders of paper, paper products and machinery.

July 1948 (*continued*)

8 *Poland-Netherlands.* Agreement announced; Poland to furnish 290,000 extra tons of coal by the end of 1948, in exchange for three-year delivery of 30 million guilders of industrial equipment.

9 *Austria-Poland.* One-year trade agreement concluded; Poland to deliver £4.5 million of coal, industrial products, fish and eggs; Austria, £2.25 million of metals, mine equipment and industrial products.

Denmark-USSR. Trade agreement concluded, to total value of 300 million crowns to 31 December 1949; USSR to exchange bread grains, iron, timber and chemicals for Danish food, cattle and industrial products.

10 *Argentina-Hungary.* Trade agreement concluded; to value of £300 million; Argentina to export wool, leather, cotton and cereals in exchange for manufactured goods.

International Labour Organisation. Thirty-first International Labour Conference held (from 17 June).

13 *Organisation for European Economic Co-operation.* UK and US sector of Trieste admitted to Council of OEEC.

14 *India-UK.* Temporary three-year financial agreement reached; India not to withdraw more than £15 million in hard currency for year ending 30 June 1949, or total of £80 million for the period.

15 *New Zealand-UK.* Seven-year trade agreement signed; UK to purchase butter and cheese, quantities to be fixed every year: quantities for 1948-49 to amount to 97 per cent of exportable surplus.

19 *Iraq-UK.* 1947 financial agreement extended to 30 June 1949; Iraq to receive £6.25 million for trade transactions.

US-Yugoslavia. Agreement reached on disposal of $47 million in Yugoslav assets frozen in US; Yugoslavia to pay $17 million to settle claims of US Government and private citizens; US to return $30 million.

21 *Czechoslovakia-Germany, USSR zone.* One-year trade agreement of $18.5 million concluded; to provide raw materials, chemical products, textiles and brown coal derivatives in return for tyres, rubber and cork goods and special types of coal.

July 1948 (*continued*)

21 *Egypt-Japan.* Trade agreement of $12 million concluded; Japan to export silk, porcelain and fish oil and to receive raw cotton.

Sweden-UK. Trade agreement reached, increasing exchange about 10 per cent; UK to import £55 million of pitprops, news-print, paper, manufactured goods and chemicals in exchange for £60 million of goods.

22 *Pakistan-UK.* Temporary three-year financial agreement reached; Pakistan not to withdraw more than £5 million annually in hard currencies.

23 *Bulgaria-USSR.* Obligations owed to USSR on former German assets in Bulgaria reduced from $9 million to $4.5 million; USSR also renounced payments for damage caused to these assets and transferred to Bulgaria all formerly owned German enterprises, including electric power plants.

International Children's Emergency Fund. Budget of $78 million for 1949 approved by Executive Board in Geneva.

24 *Sweden-US.* Imports from US fixed by Sweden for second half of 1948 at 180 million crowns, compared with 400 to 500 million for the first half of the year.

World Health Organization. First Assembly concluded in Geneva (from 24 June) having approved 1949 budget of $5 million.

25 *UK.* Direct bread and flour rationing abolished; mill deliveries of flour to be controlled to keep consumption about same as previous year.

26 *Japan.* Trade and payments agreement between Japan and sterling area amended; sale of Japanese cotton textiles to sterling area on 100 per cent sterling basis, compared with former basis of 50 per cent sterling and 50 per cent dollars.

Netherlands-Portugal. Trade agreement announced, Portugal to export wine, raisins, wood and textiles in exchange for chemicals and machinery.

UK-US. Joint committee of employers and trade unions established to promote industrial efficiency in UK.

31 *Germany, UK and US zones-Norway.* Trade and payments agreement concluded providing for exchange of goods to value of $50 million in 1947 and 1948.

Ireland-UK. Four-year trade agreement signed, to come into force 12 August; Ireland's food supplies to UK to be increased to reduce adverse trade balance with UK.

AUGUST 1948

1 *Netherlands.* Nationalization of the Netherlands Bank came into force.

2 *Germany, UK and US zones-Netherlands.* Trade agreement of $154 million signed.

6 *Austria-Germany, UK and US zones.* Trade agreement announced.

Belgium and Luxembourg-Germany, UK and US zones. Trade and payments agreement concluded for export of $75 million of goods and import from Belgium of $84 million.

Czechoslovakia-France. Trade and financial agreements signed, extending payments agreement of 29 July 1946; compensation to French interests affected by Czechoslovak nationalization to be made by Czechoslovakia from additional exports; France to export engineering and electric goods, phosphates and pharmaceutical products in exchange for machine tools, cotton goods, timber, cellulose, pulp and engineering products; trade exchange estimated at 11,000 million francs annually in each direction.

7 *Czechoslovakia-Poland.* Council of Polish-Czechoslovakian Economic Co-operation reached agreement for co-ordination of economic planning; plans announced for new industrial centre in contiguous areas of Katowice, Poland and Ostrava, Czechoslovakia; goal of 10 million tons of steel yearly set for the new industrial centre.

11 *Australia.* Sections of Banking Act of 26 November 1947 nationalizing private banks ruled invalid by High Court; order issued restraining Government from implementing nationalization plans.

Germany, UK and US zones-Hungary. Trade agreement concluded for $28 million goods; to supply machinery and chemicals in exchange for agricultural products.

12 *Denmark-USSR.* Modification of 9 July trade agreement decided as result of non-agreement on price of USSR barley; 100,000 tons of USSR barley and 16,000 tons of Danish butter to be dropped from exchange, reducing total to 120 million crowns.

France-UK. £51 million sterling credit granted to France to cover purchases to 30 June 1949.

14 *India-Switzerland.* Peace and friendship treaty signed, including most-favoured nation treatment for nationals of both countries.

August 1948 (*continued*)

15 *Colombia - Ecuador - Panama - Venezuela.* "Quito Chart", customs union pact regulating mutual exchange, signed.

Germany, French, UK and US zones. Amalgamation of Anglo-American Joint Export-Import Agency of UK and US zones and Export Office of French zone came into effect.

17 *Israel.* Israeli pound established to replace Palestinian pound, at parity to pound sterling.

18 *Danubian Conference.* Convention of 1921 replaced by conference (from 30 July in Belgrade); granted right of administration of Danube to seven riparian states, withdrawing from France and UK their rights and privileges under former convention, and cancelled loans extended by them or other Powers; signed by Bulgaria, Czechoslovakia, Hungary, Romania, Yugoslavia, Ukrainan SSR, USSR; not signed by France, UK and US.

New Zealand. New Zealand pound restored to parity with sterling.

20 *Belgium and Luxembourg-UK.* Additional UK purchase of 100,000 tons of steel from Belgium and Luxembourg announced as contribution to easing of trade barriers among OEEC countries.

24 *Denmark-Germany, UK and US zones.* Trade agreement to value of $13 million concluded, to exchange machinery for Danish food and chemicals.

26 *Czechoslovakia-USSR.* Trade agreement of $100 million for 1949 announced; Czechoslovakia to export machine tools in exchange for foodstuffs and textiles (part of five-year agreement, see 11 December 1947).

29 *Argentina-Belgium-Germany, UK and US zones.* Three-way trade agreement, whereby UK and US zones will export precision instruments to Belgium, which in turn will send steel to Argentina, which will export meat and cereals to UK and US zones.

United Nations, Economic and Social Council. Seventh session held in Geneva (from 19 July).

30 *International Refugee Organization.* Charter ratified by Denmark; fifteenth ratification, creating IRO as full specialized agency.

SEPTEMBER 1948

1 *Australia-UK.* Seven-year contract to 30 June 1955 signed for purchase of Australia's exportable butter and cheese surpluses with annual adjustment of prices within variation range of 7.5 per cent.

4 *Ireland-Netherlands.* Trade agreement announced, covering Irish purchase of fertilizer in exchange for more Irish goods, including cattle.

15 *Denmark-UK.* One-year trade agreement signed, increasing Danish imports 50 per cent; Denmark to export 60 per cent of exportable surplus of butter and 90 per cent of exportable surplus of bacon in exchange for UK steel, petrol, coke and coal.

16 *France-US.* Four-year film agreement from 1 July signed, permitting US film companies to transfer $3.6 million annually; to invest non-transferable balance in France under certain conditions; annual distribution quota also fixed.

21 *Paraguay.* Electric service and transport companies nationalized.

International Refugee Organization. Budget of £77.5 million voted for 1949 and 1950 for resettlement of 800,000 refugees, with £8.5 million set aside for care of 184,000 refugees not resettled or repatriated.

United Nations, Economic Commission for Europe. Tentative agreement reported on multilateral east-west European transaction for purchase of $80 million of timber by six western European nations from five eastern European nations; International Bank for Reconstruction and Development to grant purchasers $6 million advance and exporting countries to grant an $8 million credit.

26 *New Zealand.* Meat rationing abolished, leaving only butter and petrol on ration; record exports for year ended 30 July announced at £146,621,000, with imports of £146,981,000.

29 *Pakistan.* Nationalization of munitions, hydroelectric, transport and communications equipment industries announced.

30 *Czechoslovakia.* Five-year plan approved by Parliament; to raise industrial production 57 per cent and farm output 16 per cent.

OCTOBER 1948

3 *Austria-Hungary.* Trade agreement for $10 million announced; Hungary to export foodstuffs in exchange for iron ore and wood.

October 1948 (*continued*)

3 *Belgium and Luxembourg-Switzerland.* Trade agreement announced; Switzerland to export 310 million francs of machinery, materials, shoes and watches; Belgium and Luxembourg to send 150 million francs of ferrous products and coal.

4 *Czechoslovakia-Germany, UK and US zones.* Trade agreement announced; Czechoslovakia to export $25 million in goods and receive $19 million in chemicals and machinery.

Sweden. Bread and flour rationing abolished; in effect eight years.

12 *Burma.* Nationalization of arable land approved by Parliament; private owners to be compensated.

Denmark-UK. Agreement announced, retroactive to 1 October; treatment of £22 million Danish debt to be separate from plan of Organisation for European Economic Co-operation; money to be deposited in special account of Danish National Bank at 0.5 per cent interest and repaid over four years by Danish surpluses arising from current trading.

15 *Germany, USSR zone-Poland.* Negotiations concluded completing March 1948 trade agreement; exchange to be increased from $56 million to $96 million; Poland to export coal in exchange for machinery, chemicals, wood and potash.

16 *European Recovery Program.* Intra-European payments agreement signed by Council of Organisation for European Economic Co-operation; final proposals submitted for distribution of dollar aid requirements of $4,875 million requested by US Economic Cooperation Administration for year ending 30 June 1949.

France. Restoration of exchange rates to official parities approved by International Monetary Fund, with US dollar at 264 francs and pound sterling at 1,061 francs.

Germany, French, UK and US zones. Agreement signed, merging foreign trade in three zones from 1 November, and creating Joint Export-Import Agency.

20 *UK.* $250 million loan received by Shell Caribbean Petroleum Company from nine US and one Canadian insurance company, to increase oil production in Canada, Colombia, Ecuador, Peru and Venezuela.

October 1948 (*continued*)

21 *Denmark-France.* Trade agreement announced for 210 million crowns exchange to 31 October 1949; Denmark to export foodstuffs and machinery and France to export phosphates, potash, aniline and wine.

22 *Commonwealth Conference.* Ended (in London from 11 October) after discussing Commonwealth economic co-operation and development.

USSR. Fifteen-year reclamation, reforestation and development plan for 300 million acres of land announced.

United Nations. Third anniversary of entry into force of the Charter.

30 *France.* Four-year plan presented to Organisation for European Economic Co-operation.

NOVEMBER 1948

3 *Hungary-USSR.* Trade agreement announced, $150 million in 1949, for exchange of USSR raw materials for Hungarian heavy manufactures and food products.

7 *Belgium.* All rationing, except sugar, abolished.

Hungary-Poland. Trade agreement concluded, $20 million to 31 December 1949.

8 *British Commonwealth-Japan.* One-year agreement for trade signed; minimum value of £55 million, chiefly in Japanese cotton textiles in exchange for raw materials; signed with Supreme Commander of the Allied Powers by Australia, India, New Zealand, Union of South Africa and UK.

Netherlands. Food subsidy programme discontinued; cost estimated at about $800 million for 3½ years; bread rationing ended.

11 *Italy-Turkey.* Trade agreement of £15.3 million concluded.

13 *Belgium and Luxembourg-Poland.* Trade agreement of £7 million concluded.

Germany, UK and US zones-Uruguay. One-year agreement concluded, totalling $15 million; Uruguay to export fats, chemicals, canned and refrigerated meats and foodstuffs in exchange for industrial products and special machinery.

15 *Belgium-Denmark.* Trade agreement signed for 35 million Danish crowns; Belgium to export manufactured products in exchange for butter and eggs.

November 1948 (*continued*)

15 *Bulgaria-Netherlands.* Trade agreement of 14 million florins signed, to end 1949; Bulgaria to export agricultural products and tobacco in exchange for chemicals, machinery and rubber.

17 *Argentina.* Operations reported under five-year Government industrialization plan; 107 firms, including metallurgical plants, building firms, textile factories, chemical plants and building material firms, with combined capital of about £12.5 million, transferred from abroad to Argentina, together with 25,000 skilled workers of the firms.

France-Germany, French, UK and US zones. Agreement signed for $300 million exchange of manufactured products and raw materials with France.

20 *Czechoslovakia - Hungary.* Five - year trade agreement signed for exchange of approximately £75 million in Czechoslovak foodstuffs and oil by-products for Hungarian coke, timber, machinery, iron ore and other raw materials.

25 *Colombia-Sweden.* Trade agreement announced of 81 million crowns; Colombian imports to be doubled.

26 *Italy-UK.* Financial agreement announced, restoring pound sterling on Italian market to official parity.

27 *France.* End of eight-week old coal strike; loss of coal estimated at 4 million tons.

29 *Food and Agriculture Organization of the United Nations.* Fourth session of Conference held in Washington from 15 November.

United Nations, Economic Commission for Europe. European requirements of US coal for first quarter of 1949 announced at 4.7 million tons, half million less than first quarter of 1948; Yugoslavia to be among 17 nations sharing in allocation of US and European coal.

Portugal. Beira Railway in Mozambique purchased by Government from British company for £4 million.

DECEMBER 1948

1 *Italy-Sweden.* Trade agreement announced; 250 million Swedish crowns, to 30 September 1949; Italy to export textiles and fruit in exchange for cellulose and machinery.

UK-Uruguay. One-year trade agreement signed covering period from 12 February 1948; UK to purchase at increased prices 34,000 tons of meat, instead of Uruguay's entire exportable surplus, as previously agreed.

December 1948 (*continued*)

11 *Italy-USSR.* Agreements signed covering trade, navigation and reparations; normal exchanges of 30,000 million lire annually in each direction for three years; Italy to import grains, minerals and timber in exchange for machinery, industrial products and citrus fruits; Italy to export 60,000 million lire of industrial products, including ships, over three years, for which USSR to provide materials and pay difference in cereals and finished goods; reparations agreement provided for Italy's transfer to USSR of all Italian property in Bulgaria, Hungary and Romania, as part of $100 million Italian reparations debt, and delivery of 33 Italian warships to USSR.

United Nations, Economic Commission for Asia and the Far East. Fourth session held at Lapstone, Australia.

United Nations, International Children's Emergency Fund. Expenditure of $110 million in two years reported, to provide 1,250 million meals for children and mothers in war-devastated countries; funds of $70 million from Member Governments, $30 million from UNRRA assets and $10 million from United Nations Appeal for Children.

United Nations Educational, Scientific and Cultural Organization. Third session of General Conference held in Beirut from 17 November; approved budget of $7.7 million.

12 *Czechoslovakia-USSR.* Trade agreement announced for exchange in 1949 of $90 million of Czechoslovak textiles for USSR raw textile materials; loan to Czechoslovakia in gold and dollars granted; trade agreement of $360 million, representing 45 per cent trade increase over 1948, announced for 1949.

United Nations, General Assembly. Part I of third session adjourned.

15 *Spain-UK.* Agreement announced to maintain established parities between sterling and other currencies in Spanish monetary area.

16 *Germany, French, UK and US zones.* Agreement signed providing for French import of iron ore, agricultural products, electrical machinery and semi-finished steel goods.

Sweden-UK. Agreement announced to refrain from drawing on one another's gold reserves to end of 1949; agreed to use of Sweden's blocked sterling balances in trade with UK and other countries and to substantial increase in 1949 of UK imports of Swedish iron ore, pulp, timber and news-print and Swedish imports of UK textiles and machinery.

December 1948 (*continued*)

17 *Finland-USSR.* Trade agreement announced for $100 million ($15 million increase over last year); USSR to export foodstuffs, fertilizer and chemicals in exchange for pre-fabricated housing, electric motors, cellulose, alcohol and wood industry machinery; penalties owed by Finland for delayed reparations deliveries cancelled by USSR.

Food and Agriculture Organization of the United Nations. Short world supply of rice reported by International Emergency Food Council; supply for first half of 1949 sufficient to meet only half of requirements.

Norway-UK. Trade agreement announced, to maintain level of Norwegian purchases during 1949; UK purchases to increase.

18 *Colombia.* Agreement announced with International Monetary Fund for devaluation of Colombian peso from 1.75 to 1.95 to US dollar.

19 *Denmark-UK.* Agreement announced; Danish imports for 1949 under the 1948 trade agreement to amount to £62 million, an increase of 30 to 40 per cent over 1948. (Revision of agreement of 15 September 1948.)

20 *Benelux.* Four-year reconstruction plan submitted to Organisation for European Economic Co-operation.

UK. Four-year recovery plan published; submitted 1 October to Organisation for European Economic Co-operation.

21 *Union of South Africa.* Signatories of General Agreement on Tariffs and Trade informed of restrictions to be imposed against imports payable in hard currencies to protect monetary reserves.

23 *UK-Yugoslavia.* Trade agreement reached for £15 million exchange in each direction during 12 months ending 30 September 1949; UK to export textiles, raw materials, crude oil, chemicals and machinery in exchange for Yugoslav timber, wood products and food; Yugoslavia to pay a total of £4.5 million, of which £450,000 to be remitted during 1949 for expropriated UK property; also provided for return of UK money and property in Yugoslavia (outside scope of this agreement) and return of Yugoslav property in UK.

USSR-Yugoslavia. Reciprocal commodities agreement concluded for 1949, reducing volume of trade to one-eighth of 1948.

December 1948 (*continued*)

28 *France.* Additional 25,000 million franc release from French counterpart fund as on 31 March 1949 authorized by Economic Co-operation Administration; total of 140,000 million francs released to date, of which 115,000 million francs to be used for financing reconstruction and capital investment.

Benelux, France, UK and US-Germany (Ruhr). London Conference (from 11 November) concluded with agreement in principle on Statute of International Authority for the Ruhr, provided for at June 1948 London Conference on Germany.

Japan-Netherlands. One-year trade agreement from 1 October 1948, covering also Indonesia, signed; trade to be resumed 1 January; Japan to export $64 million in cotton, machinery, metal, paper and glass products in exchange for raw materials and foodstuffs.

30 *Organisation for European Economic Co-operation.* Recovery programmes of its members for second year of Marshall plan and interim progress report on their long-term programmes for the four-year period ending 30 June 1952 approved.

JANUARY 1949

1 *Poland.* All rationing abolished; prices of many necessities reduced, equivalent to 10 per cent pay increase for workers.

2 *Organisation for European Economic Co-operation.* Report issued, showing total estimated dollar aid requested for 1949-50 of $4,347 million, or $528 million less than total aid for first year ending 30 April 1949.

3 *Germany, USSR zone.* Two-year economic plan launched to attain, *inter-alia,* 81 per cent of 1936 production level, 30 per cent cut in production costs and 12 to 15 per cent higher wages.

7 *Belgium-France.* Suspension of all French purchases in Belgium to 1 April announced by French Government since French debt to Belgium exceeded by 500 million Belgian francs the agreed ceiling of 1,200 million.

Hungary-Israel. Trade agreement signed for £2 million; in return for Israeli scrap iron and other goods, Hungary to export finished articles and foodstuffs.

14 *Poland-UK.* Five-year trade and finance agreement signed for total of £260 million; Poland to exchange agricultural produce and timber for raw materials, including wool, rubber and crude oil as well as manufactured goods and capital equipment; release of £500,000 in pre-war Polish assets to be followed by discussion of settlement on UK property nationalized by Poland (to amount to about £500,000 by end of 1950 and, from 1951 to 1953, about £4.7 million in Polish exports).

January 1949 (*continued*)

15 *Poland-USSR.* Supplemental one-year trade agreement announced for exchange of 1,430 million roubles of goods, 35 per cent more for 1949 than envisaged in five-year trade agreement of January 1948; USSR to ship cotton, iron ores, tractors and petroleum products and receive Polish coal, rolling stock and textiles.

18 *Bulgaria-USSR.* One-year commodity agreement signed providing for 20 per cent increase over 1948.

20 *Canada-UK.* Agreement reached on terms of one-year wheat contract effective 1 August.

Spain. Peseta devalued to 25 from 16.4 to US dollar for tourists and Spaniards repatriating capital, and to 16.4 from 10.95 to US dollar for foreign investment capital.

US. Inaugural address of President calling for "bold new program" for making benefits of scientific advance and industrial progress available for improvement and growth of underdeveloped areas; programme to operate through United Nations and specialized agencies wherever practicable.

21 *Canada-UK.* Agreement by Canada announced, to release remainder of $235 million of $1,250 million UK loan, blocked since April 1948: drawings to resume immediately at $10 million rate monthly, subject to review, to finance Canadian exports to UK.

France. Government stabilized wages and prices as on 31 December; on 20 January cancelled bread rationing as on 1 February.

France-Italy. Agreement concluded to form customs union within year and co-ordinate industries within six years.

24 *Romania-USSR.* Trade agreement signed; 1949 exchange to amount to 465 million roubles (2.5 times that of 1948); USSR to export industrial equipment, motor vehicles, metals, agricultural machinery, iron ore, coke and cotton and render technical assistance in exchange for Romanian oil, timber, locomotives, barges, chemicals, meat products and orders for industrial and capital equipment.

January 1949 (*continued*)

25 *Belgium and Luxembourg-UK.* Trade agreement announced; £20 million for first half of 1949; limited resumption of UK tourist trade as on 1 May.

Council for Mutual Economic Assistance formed by Bulgaria, Czechoslovakia, Hungary, Poland, Romania and USSR. (Albania joined 22 February.)

Finland-UK. Agreement concluded on increased exchange in 1949; 1948 trade announced as considerably greater than 1947.

27 *Economic Cooperation Administration.* Completion announced by ECA of three-way trade agreement by Austria, Hungary and US under ECA auspices.

FEBRUARY 1949

3 *Ceylon-UK.* Agreement reached on balances for 1949, sterling releases and proposed dollar expenditure.

Italy-Yugoslavia. Agreement concluded on rectification of frontier, frontier traffic and free exchange of goods between border provinces to £2 million.

5 *Italy-UK.* Trade agreement for 1949 announced, to increase trade in both directions.

7 *Finland-Germany, UK and US zones.* Agreement concluded for delivery of machinery, electrical equipment and textiles in exchange for pulp, news-print and chemicals.

Germany, UK and US zones-Greece. £3.5 million trade agreement concluded; UK and US zones to export chemicals, coal, textiles and manufactured goods for iron ore, magnesite and dried fruit.

10 *Belgium-Portugal.* Trade agreement signed for £12.6 million.

Czechoslovakia-USSR. Supplemental trade agreement announced to total value of £10 million; USSR to exchange raw materials, including non-ferrous metals, iron ore and buna for manufactured goods.

Food and Agriculture Organization of the United Nations. Allocations discontinued for fats and oils under International Emergency Food Committee; rice, wheat and cocoa to remain controlled.

11 *India-USSR.* Trade agreement for 1949 signed; USSR to export wheat in exchange for Indian jute, tea and castor oil.

February 1949 (*continued*)

12 *Benelux-Switzerland.* Agreement concluded for mutual reduction of customs charges on many items, effective 1 March.

13 *Canada.* $90 million development programme announced by British Columbia Government, for railway and highway construction, hydroelectric expansion and irrigation.

14 *Economic Cooperation Administration.* Recovery progress and US aid reported; gross ECA aid to European countries and the net European Recovery Program aid to be received during year 1948-1949, taking into account intra-European grants to be given and received, as follows (in millions of US dollars): Austria 215.2 gross, 278.7 net; Belgium-Luxembourg and Belgian dependent oversea territories 247.9 gross, 40.4 net; Denmark 109.1 gross, 115.9 net; France and dependent oversea territories 980.9 gross, 1304.2 net; UK and US zones of Germany 410.6 gross, 403.9 net; French zone of Germany 99.2 gross, 100.0 net; Greece 144.8 gross, 211.6 net; Iceland 5.2 gross, 1.7 net; Ireland 78.3 gross, 78.3 net; Italy 555.5 gross, 535.2 net; Netherlands and dependent oversea territories 469.6 gross, 541.3 net; Norway 83.3 gross, 115.1 net; Sweden 46.6 gross, 21.6 net; Trieste 17.8 gross, 17.8 net; Turkey 39.7 gross, 28.0 net; UK 1,239.0 gross, 949.0 net and commodity reserve 13.5 gross and net; total $4,756.2 million.

US. Lend-lease reported by President for period 11 March 1941 to 31 March 1948 totalled $50,205 million, of which major items were aircraft and supplies $8,763 million, and ships $7,519 million.

15 *Germany, UK and US zones-Italy.* Agreement concluded for purchase of $4.5 million of fruit and vegetables and $6 million of jute.

15-16 *Organisation for European Economic Cooperation.* Session concluded by Special Committee of OEEC, established by OEEC Council in October 1948; recommended creation of Ministerial Committee of eight members and continuance of OEEC as permanent organization after termination of US aid.

16 *Germany, UK, US and French zones.* Unified customs administration agreed upon.

Netherlands-Poland. One-year trade agreement concluded, to value of $22 million.

28 *France-Germany, UK and US zones.* Trade agreement concluded; France to export $7.7 million in agricultural products, in exchange for German copper, sulphate, agricultural tools and tractors.

MARCH 1949

1 *Czechoslovakia-Yugoslavia.* Trade agreement concluded for exchange of Yugoslav foodstuffs and raw materials for Czechoslovak manufactured goods.

2 *Romania.* Land reform announced, limiting holdings to 50 hectares.

4 *Czechoslovakia-Germany, USSR zone.* Protocol to trade agreement of 21 July 1948 signed, increasing volume of trade by $25 million.

8 *Switzerland-UK.* Trade and payments agreement concluded, extending 1946 agreement in amended form; 1949 trade to balance at 1,500 million Swiss francs, against 1,400 million in 1948.

9 *Germany, French, UK and US zones-UK.* Trade agreement concluded for first half of 1949, increasing exports to UK to £22 million, against £26 million for whole of 1948; UK to import £30 million, against £21 million for whole of 1948.

10 *Israel.* Four-year plan announced to double present population of 900,000 and start 6,500 new settlements at cost of $100 million.

12 *Albania-Czechoslovakia.* One-year trade agreement concluded for exchange of Albanian raw materials for Czechoslovak machinery and consumer goods.

13 *Benelux.* Agreement announced by Prime Ministers of Belgium, Netherlands and Luxembourg to enter into provisional economic union on 1 July 1949 and full economic union a year later; to pursue co-ordinated policy of free production, distribution and consumption of goods, as well as abolition of subsidies interfering with free exchange of goods; Belgium and Luxembourg prepared to grant Netherlands credits on understanding such credits be continually adjusted to Netherlands measures for decontrol of trade; ministerial committee to be established to supervise co-ordination of external trade and monetary policy.

16 *Economic Cooperation Administration.* Withdrawals from counterpart fund of ERP funds reported to 31 January as follows (in millions of US dollars): UK 331, France 295, Greece 47, Norway 22, Austria 13 and Trieste 3; 66 per cent to be used for debt cancellation, 9 per cent for raw material extraction, 8 per cent for power plants, 6 per cent for development of strategic materials sources and 4 per cent for railways.

18 *United Nations, Economic and Social Council.* Eighth session held from 7 February at Lake Success.

20 *Germany.* French, UK and US authorities announced discontinuation of east mark as legal tender in western sectors of Berlin.

23 *International Wheat Conference.* International Wheat Agreement concluded in Washington, signed by 5 exporting countries and 36 importing countries, subject to ratification; agreement provides basic maximum and minimum wheat prices for guaranteed quantities for each of the four years of the agreement, commencing with the 1949/50 season.

25 *France-Italy.* Protocol signed, providing first steps for customs union; agreement reached on financial and commercial problems and on Italian workers' wages in France.

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