

International Developments.—Wartime planning for postwar international economic co-operation was much influenced by the experience of the 1930's and the major concern was to avoid the inter-related phenomena of widespread unemployment of resources and extreme economic nationalism. In any event, the dominant characteristic of the first postwar decade was the strength and extent of growth factors and, although considerable discrimination (especially against the dollar) was necessary in international trade in the immediate postwar years, limited liberalization of trade was an early feature of co-operation and since about 1950 the non-communist world has been moving gradually toward an extensive system of multilateral and liberal trading. The recent period has had some of the characteristics of a watershed in international economic affairs and among the more important events have been the considerable reduction in world production and trade, the widespread decline in the prices of primary commodities, the decision to increase the resources of the International Monetary Fund and the International Bank for Reconstruction and Development, the Commonwealth Economic Conference, and certain institutional changes that have taken place in Europe.

World exports declined by about 3 p.c. in volume in the first nine months of 1958 and world industrial production also declined somewhat in the same period. This contrasted markedly with the considerable increases in trade and production that took place in 1955 and 1956 and the smaller increases of 1957. The declines primarily reflected the ending of the world-wide investment boom which had followed the period of readjustment at the end of the Korean war and the consequent reduction in industrial activity in the United States, Western Europe and elsewhere. In the United States where the reduction was most strongly in evidence, the recession lasted from the third quarter of 1957 to the second quarter of 1958 and in that time the gross national product fell at an annual rate of U.S. \$16,600,000,000, or by about 4 p.c. In the second half of 1958 industrial production began slowly to recover as consumer and government expenditures strengthened further and as the rate of inventory liquidation fell; by the end of the year, although there had been no marked recovery in private investment, the volume of production had regained the pre-recession level.

In contrast to what had hitherto been widely expected, the recent recession was accompanied by a decline in the foreign trade surplus of the United States. American exports, which had been exceptionally high immediately following the Suez crisis, began to decline earlier and fell more sharply than American imports which did not decline until the beginning of 1958. Since capital movements were also favourable to the remainder of the world, the period of the recession saw a very marked outflow of gold from the United States which contrasted significantly with the inflow that had been a feature of the first three quarters of 1957. Between December 1957 and June 1958 the United States gold reserve declined by almost U.S. \$2,000,000,000 and most of the corresponding increase in reserves elsewhere was concentrated in the sterling area and Western Europe.

The levelling-off in industrial production had spread to most countries in Western Europe by mid-1958 and in some countries, notably the United Kingdom and Belgium, there had been some decline. Industrial activity slowed down for a number of reasons but in volume terms the international trade of Western Europe as a whole was relatively stable. Entirely as a result of lower prices, the value totals of exports and imports for the first three quarters of 1958 were lower than for the same period of 1957.

The recent recession in commodity prices was clearly related to the decline in industrial activity in North America and Western Europe, but growth in productive capacity, changes in stock-piling policy and changes in market structure were also important factors, especially in the non-ferrous metals. Nor should it be overlooked that not all primary commodities were similarly affected and that price changes were sometimes as much caused by local as by world conditions. Among the commodities which, for one reason or another, declined in price in 1957 and 1958 as compared to 1955 and 1956 were tea, coffee, rubber, wool (in 1958), copper, lead and zinc. Fluctuations in the value of international trade in primary products usually reflect changes in price more than changes in volume; this has serious consequences for the non-industrial countries of Africa, Asia and Latin