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Chairman: Mr. Jiří NOSEK (Czechoslovakia).

Economic development of under-developed countries: (a) Financing of economic development of under-developed countries: report of the Economic and Social Council (A/C.2/L.162, and Corr.1, A/C.2/L.162/Add.1, A/C.2/L.164, A/C.2/L.168, A/C.2/L.169, A/C.2/L.170 and A/C.2/L.171) (*continued*)

[Item 25 (a)]*

1. The CHAIRMAN announced that the working group established at the previous meeting had completed its task of amalgamating the first group of resolutions on the financing of economic development and had submitted a resolution in three parts, (A/C.2/L.170) to the Committee. Part A concerned the establishment of a special fund, part B the establishment of an international finance corporation and part C other measures for stimulating the international flow of private capital for the economic development of the under-developed countries. His understanding was that draft resolutions and amendments contained in documents A/C.2/L.154 and Corr.1, A/C.2/L.157, A/C.2/L.159, A/C.2/L.161 and A/C.2/L.163 had been withdrawn by their respective sponsors in favour of the draft resolution prepared by the working group (A/C.2/L.170), which, unless there were any objections, he proposed to place before the Committee for discussion.

It was so decided.

2. Mr. BURR (Chile) said that the Chilean delegation's draft resolution on the establishment of a special fund (A/C.2/L.154 and Corr.1), strengthened by some of the Brazilian amendments (A/C.2/L.157), had been incorporated under part A of the working group's draft resolution. He had some doubts as to paragraph 8 of part A but would not raise the matter formally. With regard to paragraph 6 of part A of the draft resolution

*Indicates the item number on the agenda of the General Assembly.

he wished to explain that, in requesting the Economic and Social Council to give special attention to the international financing of economic and social development through international co-operation within the framework of the United Nations, the intention was not to divert the Council's attention from, or disregard the importance of, all other forms of international financing. With regard to part C, his understanding was that the study of the obstacles preventing the flow of private capital and the measures to stimulate it should include an analysis of the question of enlisting the assistance of fiscal systems to increase the international flow of such capital. In his country's opinion, capital exporting countries should facilitate the utilization of their resources by the under-developed countries by refraining, as far as possible, from taxing exported capital and the income derived therefrom. It would also be helpful to encourage the reinvestment of the income from such capital in the countries in which it was earned. Lastly, such private capital should only be subject to taxation in the under-developed country.

3. The Chilean delegation would vote in favour of all three parts of the draft resolution, which it regarded as a step forward in the consideration of the problems of financing.

4. Mr. ABDELRAZEK (Egypt) thanked the Chairman of the Second Committee for his able chairmanship of the working group and hoped that the draft resolution the group had produced would receive unanimous approval.

5. Mr. LIMA (Brazil) said that, as part B of the new draft resolution was based on the Brazilian resolution (A/C.2/L.159), his delegation wished to make clear some of the fundamental purposes of the proposed international finance corporation.

6. The idea of establishing such an international corporation had developed from the enunciation of the principle in Economic and Social Council resolution

294 (XI) to the present stage. The Council's resolution had recognized that in the financing of economic development there was no direct logical connexion between the immediate expenditures in local and foreign currencies on the one hand and the desirable amount of domestic and foreign financing on the other. That fact had also been recognized in the experts' report on *Measures for the Economic Development of Under-developed Countries* (E/1986); their conclusion had been that one of the main obstacles was the difficulty of obtaining local capital to make equity investments. They had therefore proposed the establishment of an international finance corporation to grant loans and to invest jointly with private enterprises, subject to certain conditions.

7. The Economic and Social Council, in its resolution 368 C (XIII) had requested the International Bank to examine what part such a corporation could play in the financing of the under-developed countries and the Bank had submitted a preliminary report on the subject in April 1952 (E/2215). The Council, in resolution 416 C (XIV), had suggested that governments should consult with national organizations and business groups interested in the problem and had asked the International Bank to seek the views of its member governments on the desirability of establishing such a corporation and to report to the Council during 1953.

8. Brazil was in agreement with Council's resolution 416 C (XIV) and for that reason had submitted the draft resolution contained in document A/C.2/L.159. It did not consider that the General Assembly could take any decision at the present time other than to keep the matter under consideration and await the results of the studies initiated.

9. It recognized the difficulties which governments would meet in their consultations, in view of the lack of precise details as to the nature of the proposed corporation, and it feared that public mobilization of private capital would be regarded with distrust in some under-developed countries.

10. His delegation would vote in favour of all three parts of the draft resolution submitted by the working group.

11. Mr. MATES (Yugoslavia) said that his delegation had some misgivings about the draft resolution of the working group but did not intend to submit formal amendments because it did not regard the draft, and especially parts B and C, as an expression of decisions but as a means of permitting the continuation of studies.

12. In the event of a separate vote on the three parts of the draft resolution, his delegation would vote in favour of parts A and B. With regard to part C it was ready to support paragraph 2, but found some of the wording of the remainder unacceptable. It did not however, wish, to prevent further analysis of the problems indicated. In the event of a paragraph-by-paragraph vote on part C, it would vote in favour of certain parts but if part C were voted on as a whole it would abstain.

13. The CHAIRMAN announced that it was his intention to put parts A, B and C of the draft resolution to the vote separately.

14. Sir Clifford NORTON (United Kingdom) said that having been a member of the working group, he had no new amendments to suggest and wished to merely comment on the draft. His delegation had op-

posed the previous General Assembly proposal to set up a special development fund, on the grounds that it was not a practical proposition for the time being.¹ In its opinion, the proper course now was to await with an open mind the report of the Committee set up by the Council to study the matter; the issue ought not to be prejudged.

15. Part A of the draft resolution rightly stressed the importance of international financing of economic development, but he had been glad to note that the Chilean representative recognized the importance of other methods of financing. The Colombo Plan and the financing schemes under the Colonial Development Fund, to which he had referred in the general debate (199th meeting), were examples of other methods; no doubt examples could be cited by other representatives. He hoped that the scope of international financing, both within and without the United Nations, would increase; all such methods of promoting economic development helped to fulfil the aims of the Charter.

16. His delegation accepted part A of the draft resolution submitted by the working group on the understanding that it carried no restrictive meaning, and was also prepared to accept parts B and C.

17. Mr. TAYLOR (Canada) considered that the new combined draft resolution fulfilled the intentions of the original proposals and eliminated overlapping. The Canadian delegation was prepared to support it, but wished to emphasize that it did not interpret the draft as prejudging the results of the studies being undertaken by the Committee of experts and the International Bank, which, he hoped, would be completed as soon as possible. It reserved judgment on the substantive question until the results of the studies and investigations were made known.

18. Mr. LUBIN (United States of America) stated that as a member of the working group, his delegation would naturally support the new combined draft resolution; he especially approved of part C. In voting for part A, he wished to make it clear that the position of his Government on the substantive question of creating a special fund had not changed; it still opposed the creation of such a fund on the ground that the time was not ripe and it had reservations of principle to the provision of grant-aid by an international agency.

19. It should be noted that the United States was opposed only to the proposed machinery and not to the purpose. It fully recognized the need of the less developed countries for external assistance and was determined to do its full share towards meeting their need in the appropriate manner.

20. In voting for part A it did so subject to the proviso in General Assembly resolution 520 A (VI) that the study of the plan to set up such a fund did not commit governments participating in the study to join in implementing the plan. His delegation interpreted paragraph 6 of part A of the draft resolution submitted by the working group in the sense explained by the Chilean representative; it was important that the Council should not be restricted to considering only the establishment of a special fund; it should continue to study all types of international financing.

¹ See *Official Records of the General Assembly, Sixth Session, Second Committee, 166th meeting, and Plenary Meetings, 360th meeting.*

21. He associated himself with the statements of the United Kingdom and Canadian representatives to the effect that approval of the draft resolution, especially of part A, did not prejudice the results of the studies at present in progress.

22. Mr. JONKER (Netherlands) announced his delegation's intention of supporting all three parts of the draft resolution, as representing the best procedure in present circumstances. He wished, however, to make clear his Government's position on the substance of the questions involved.

23. As explained in the Second Committee the previous year,² his delegation had no objection to the establishment of an international finance corporation, but doubted whether the time was ripe for it. His Government's position in the matter had not changed, as the Netherlands Foreign Minister's recent statement in the General Assembly showed.³ There was general agreement that international financing was indispensable to the economic and social development of under-developed countries but it was difficult to agree on the methods.

24. Theoretically, the idea of a finance corporation was good, but it was doubtful whether there was sufficient practical justification for the establishment of a special body of that kind. The first report of the International Bank on the subject did not provide unquestionable justification and it was therefore important for the Bank to continue its studies. Similarly, it was not yet clear whether the establishment of a special fund to provide grants or long-term, low-interest loans, would provide a satisfactory solution. It was also doubtful whether the fund could be truly international.

25. In any case the Committee should await the report of the Committee of experts to the Economic and Social Council and the Council's report to the next General Assembly. It would then be in a better position to express its views on the subject.

26. Mr. DE SEYNES (France) explained that his support of the draft resolution (A/C.2/L.170) should not be construed as prejudging the attitude which the French delegation would adopt when the reports were submitted or its previous position with regard to the two proposed organizations. His objections were not based on principle, but on certain historic circumstances which were not likely to change in the near future.

27. Mr. GUTIERREZ GOMEZ (Colombia) thought that, as he had suggested at the previous meeting, it would be better for the three parts of the draft resolution to be dealt with separately.

28. He recalled, with regard to part B, that it had been proposed in March 1951 that an international finance corporation should be established to encourage the economic development of under-developed countries by stimulating free private enterprise. The proposal had attracted the interest and sympathy of international circles, investors and governments. During the discussions and consultations on the subject, the proposal had been favourably received for several reasons. The first was that any action to encourage free private enterprise, which had proved to be the most effective way of promoting industrialization and progress, was welcome. Secondly, the enthusiastic response to the proposal had

been due to recognition of the fact that shortage of capital was the main obstacle to economic development. In that connexion, he paid a tribute to the excellent work undertaken by the International Bank, whose assistance to many under-developed countries had been invaluable. Thirdly, the proposal had been welcomed because the flow of private capital from the industrially advanced to the less developed countries had been meagre. He was convinced that the international finance corporation, which would co-operate with many similar national agencies, would be a most effective method of reassuring investors and of mobilizing capital.

29. Part C of the draft resolution would have a decisive effect on the financing of economic development, a fact which was borne out by the excellent studies on the matter by such eminent and experienced authorities as the United States International Development Advisory Board and the United Nations group of experts. The latter had not only stressed the need for extending the scope of the International Bank's activities, but had also considered it essential to bridge the gap in the Bank's mandate by providing for capital investment without governmental guarantees.

30. The Economic and Social Council had requested the Bank to study the contribution which an organization of the type proposed could make to economic development and the Bank's report of 29 April 1952 could not be more exhaustive. The President and Directors of the Bank had quite naturally stated that they were not committing themselves or the participating governments finally in respect of the plan. But the opinions and conclusions in the report were sufficiently positive to show that the proposed organization would fill an important gap in the international machinery for financing economic development.

31. Once the participating governments knew that the proposed corporation was intended to supplement and not to supplant private investment, to stimulate productive enterprise, to provide capital for investment only in the enterprises desired by the countries concerned and to be sufficiently speculative to incur risk for the sake of adequate compensatory benefits, they would be in a position to express a final opinion on the general standards of organization and, as he hoped, they would be ready to sanction the convening of a conference of the Bretton Woods kind. In preparing its report the Bank had profited not only from its own six years of experience but also from its consultations with governments and investors.

32. The objection that public funds should not be used for private investment was based on an uncompromising attachment to the principle of free enterprise, a principle which he also supported but not to the point of preventing public action from filling the obvious gaps which private enterprise could not fill for want of capital, interest, knowledge or initiative. It was asserted that, whenever there was a favourable climate for private investment, ample funds would become available. That assertion was difficult to refute in theory, but in practice the situation was very different. The fact that most under-developed countries, which had adopted a friendly and non-discriminatory policy with regard to foreign private investment, which had taken steps to eliminate as far as possible the risks involved and which had concluded bilateral treaties to encourage such investment, had nevertheless been unable to attract the capital

² *Ibid*, Second Committee, 164th meeting.

³ *Ibid*, Seventh Session, Plenary Meetings, 392nd meeting.

necessary for many very promising projects proved the point.

33. The United Nations should not lay down the constitution of the proposed international finance corporation, discuss its statutes in detail or determine the basis on which its capital would be provided unless the proposal itself was finally acceptable and unless a meeting of the participating countries could be convened under the auspices of the International Bank.

34. The draft resolution (A/C.2/L.170) favoured the establishment of an international finance corporation and expressed the hope that the International Bank and the Economic and Social Council would soon complete their work in that connexion. But the proposal might merely become another document in the series of studies and discussions, delaying implementation of the proposed plan. He therefore asked the working group to consider redrafting paragraph 6 of part B of the draft in such a way that the Economic and Social Council would be requested, pending a new and favourable report by the International Bank, to convene a conference of the participating countries without awaiting further discussion of the matter at the eighth session of the General Assembly.

35. He had no objections to parts A and C of the draft resolution.

36. Mr. PERRY (New Zealand) stated that he would support the draft resolution. The proposals which would eventually be submitted on the basis of the studies by the Committee of experts and the International Bank would be most carefully considered by his Government. While supporting the draft resolution his delegation reserved its ultimate position on the proposed special fund and international finance corporation.

37. Mr. WOULBROUN (Belgium) explained that his vote on the draft resolution implied no modification of the Belgian delegation's attitude towards the question of the possible establishment of a special fund for financing; that attitude had been explained at the sixth session of the General Assembly.⁴ The Belgian Government was prepared, however, to study the report of the group of experts carefully and impartially.

38. The Belgian delegation, which had already stated its approval of the establishment of an international finance corporation, had not changed its views on the matter. He was glad to note the inclusion of part C in the draft resolution. On 10 November 1952, the Belgian Minister of Foreign Affairs had stressed the importance of private capital in financing economic development and helping under-developed countries to balance their payments;⁵ that problem, moreover, did not arise only in the case of under-developed countries. For such purposes, the volume of investments must be great. It was necessary to study the problem of investments, and especially that of establishing a favourable atmosphere for the flow of private capital, in a realistic manner, in order to ensure an adequate flow of capital to the under-developed countries, to maintain economic stability throughout the world and to promote general economic development.

39. Mr. JUNG (India) said his delegation was in favour of the proposed fund for the reasons which he

had outlined during the general debate (197th meeting). The technical assistance programme had shown to what extent United Nations action could benefit the recipient countries and the United Nations itself. The establishment of the fund would not only meet a pressing need but would also provide a means of collaboration. He hoped that the more developed countries would show greater enthusiasm in supporting the proposal and that his delegation's views would be brought to the notice of the Committee of experts.

40. Even those committed to bilateral or other forms of assistance might in the long run find the international agency of the United Nations to be an advantage. He was not implying thereby that the other forms should be excluded; the immensity of the problem made any such exclusion impossible. India, for example, had secured foreign assistance in order to expedite its national development programme, particularly because it was impatient to raise its low living standards. Foreign assistance was provided exclusively on an economic basis and was confined strictly to the development programme which India had itself prepared. His country had not only received assistance but had also made its contribution to the development of other countries, for example, under the Colombo Plan. He therefore felt that, to maintain the co-operative nature of the undertaking, only those who were prepared to make their own contributions to the proposed fund should be assisted by the fund.

41. No time should be lost in setting up the international finance corporation. It would fulfil a great need, particularly if it operated through counterpart funds in the countries concerned. He urged the International Bank to complete its report in time for submission to the General Assembly at its eighth session.

42. The existence of the international finance corporation would itself stimulate the flow of private capital to under-developed countries. Private investors had to reckon, if not with a growing consciousness of economic sovereignty, at least, with the risk of adopting practices which might lead to monopolies and exploitation. The under-developed countries obviously needed the investment of private capital which must be adequately guaranteed by the actual conditions of investment and by political, economic and social stability. The studies and opinions which the draft resolution proposed to elicit would no doubt clarify the issues. He therefore intended to support the draft resolution in its entirety.

43. Mr. HALIQ (Saudi Arabia) remarked that some delegations, such as the Yugoslav delegation, objected to certain aspects of the draft resolution on principle. On the other hand, the Yugoslav delegation was apparently prepared to accept the draft resolution in the final instance.

44. To meet the United States and Chilean delegations' objection to paragraph 6 of part A, he suggested that the word "problem" should be put in the plural.

45. Although some representatives had shown a preference for individual points contained in the draft resolution while expressing misgivings on others, he felt that the adoption of the entire draft resolution ought not to present problems to any delegation.

46. Mr. BURR (Chile) explained that neither he nor the United States delegation had tabled any amendment to paragraph 6 of part A. Both delegations had ade-

⁴ *Ibid*, Sixth Session, Second Committee, 162nd meeting.

⁵ *Ibid*, Seventh Session, Plenary Meetings, 392nd meeting.

quately commented on the implications of that paragraph.

47. The CHAIRMAN said that as there were no further speakers on the draft resolution submitted by the working group, the Committee could pass on to the Argentine draft resolution (A/C.2/L.162 and Corr.1), to the statement on its financial implications (A/C.2/L.162/Add.1) and to the amendments thereto submitted by Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua (A/C.2/L.169). The draft resolution of the working group (A/C.2/L.170) would be taken up again later.

48. Mr. BUNGE (Argentina) drew the Committee's attention to the basic concepts on which his delegation's draft resolution (A/C.2/L.162 and Corr.1) was based. The essential principle behind it was the correlation of two factors of extreme importance for economic development: the relationship between prices of primary products and prices of manufactured goods and the implementation of national plans of integrated economic development. The future of under-developed countries depended on an adequate, fair and equitable price relationship, combined with the national application of economic development programmes. He did not, of course, disregard the importance of international measures and his delegation had always supported resolutions embodying such measures.

49. There had been a long deterioration in price relationships, which had operated to the detriment of countries supplying raw materials. The fundamental cause of that deterioration had been the cyclical evolution of supply and demand, as a result of which raw materials bore the main brunt of economic recessions. While the other elements of industrial cost remained relatively stable, the prices of primary products tended to form a progressively smaller part of the value of the finished product. That process was paralleled by a greater output of raw materials, but as a result of the pressure of cyclical factors the profits of that greater output were transferred to the highly industrialized countries through the deterioration in the terms of trade.

50. The history of the United States provided a good illustration of the process. While between 1925 and 1950 its actual national production had doubled, the consumption of primary products had risen by only 52 per cent. According the Paley report services "were beginning to become a larger proportion of the goods and services that made up the output and more value was being added to materials by successively higher fabrication as time went on. It was for such reasons that relatively smaller material values could sustain the more rapidly growing total output."

51. In the process of economic expansion, a greater capital concentration, an increase in productivity per man-hour and the better utilization of primary products inevitably produced that result. Even when the effect on relative rates of growth of the greater or lesser elasticity in the demand for various products was taken into account, the fact remained that the quantities of raw materials exchanged had a much smaller rate of increase than the other components of total production. And when the dynamic factor of prices was introduced, it was inevitable that the relative remuneration of primary products should gradually decrease. The consequence was a chronic tendency towards a deterioration in the terms of trade of primary products in relation to manu-

factured goods. That process was explained in the document prepared by ECLA on "Theoretical and Practical Problems of Economic Growth" (E/CN.12/221).

52. It was thus obvious that there was a chronic tendency towards a progressive deterioration in the price relationships of primary products and that the volume of such products entering into international trade was progressively less in relation to the total world output.

53. From the second quarter of 1951, a fresh deterioration in the terms of trade of raw materials had become obvious, resulting not only from the factors he had enumerated but also from national and international action by the highly industrialized Powers. In the general debate (201st meeting), the French representative had indicated that price relationships in the post-war period had been favourable to raw materials. He had also indicated that the Secretary-General's report on "Relation of Fluctuations in the Prices of Primary Commodities to the Ability of Under-developed Countries to Obtain Foreign Exchange" (E/2047) stated that the amounts of primary products sold in times of declining prices had generally increased, thus compensating to a certain extent for the reduction in prices. It was true that during the post-war period the terms of trade of raw materials had substantially improved as a result of reconstruction needs and accumulated demand. Nevertheless, so far as Latin America was concerned, as a result of the growth of the population and the decline in the quantum of exports, the area's *per capita* import capacity during the 1945-1949 period had been 15.6 per cent below that of the 1925-1929 period. Moreover, the statement that the quantities of raw materials exchanged tended to increase when prices were low was in obvious contradiction with the facts, and with other statements which appeared in the same report. There was no connexion between the average fluctuation in price and the average fluctuation in quantity and a comparison of their relative magnitude could give no indication of the correlation in time of those fluctuations. On the other hand, the analysis of United States imports as a whole in the report (E/2047) showed that the general picture was one of quantities and prices moving up or down together from year to year, thus mutually intensifying the variations in exchange proceeds. Many similar statements could be found in the report. Moreover, ECLA in its "Economic Survey of Latin America" (E/CN.12/217) had shown that prices of raw materials and quantities exchanged followed almost exactly parallel curves.

54. That fact, together with the phenomenon of the smaller share of primary products in the total value of goods and services, led to the conclusion that both price fluctuations and economic trends on the long run were inevitably accompanied by a contraction in the volume of trade in primary products, and hence a contraction in the production of such products. That being established, it might be asked what the effect of the phenomenon would be on less developed countries, as distinct from its effect on highly industrialized countries which also produced raw materials. The only way of combating the repercussion of those phenomena on primary activities was by reducing the real cost of production of raw materials, either by greater productivity or by reducing wages. While the highly industrialized countries which produced raw materials had compensated for the deterioration in price by the application of new techniques of

production, their greater productivity had resulted in the transfer to them of part of the earnings of the under-developed countries. Moreover, those phenomena were accompanied by a growing pool of unemployed, which, unless the economy was developed in other directions, tended to aggravate the process of impoverishment.

55. The only procedure which could keep the tendency in check was to combine defensive price measures—which would prevent the transference of the earnings of primary industries to industrialized centres—with integrated national development programmes, which would make it possible to absorb the excess labour supply and to promote the formation of domestic savings. With regard to defensive price measures, his delegation believed it essential that all governments should realize the magnitude of the problem so that they could adopt the most desirable procedures for dealing with the situation. In the past two years, the governments of highly industrialized countries had adopted a series of measures tending to depress the prices of raw materials without any consideration other than that of maintaining the maximum industrial output at the least cost, and thus providing for their defence. The sole aim of all the measures adopted had been to prevent the normal play of prices coming into effect to ration the supply of materials. Thus, by the addition of the artificial factor of governmental policy to the structural and cyclical tendencies of the economic system, the progressive deterioration in terms of trade to which he had been referring had been dramatically accentuated.

56. It was therefore essential that governments should take a complete view of the situation and should not be dazzled by the requirements of one specific problem. They should not apply measures of control only when the prices of raw materials rose and expect the law of supply and demand to operate freely when prices fell. They should not apply measures which favoured the economic expansion of a small group of nations to the detriment of the greater part of the world's population.

57. Turning to the question of diversification of the production and industrialization of developing countries, he pointed out that the division of countries into suppliers of raw materials and highly industrialized countries could only lead to the impoverishment of the former. It was therefore essential that under-developed countries should bring about a complete integration of their economies so as to achieve the rate of economic growth required for the well-being of their populations. That did not mean that they should become industrialized at the expense of their primary activities and to the detriment of the requirements of their foreign trade and balance of payments position. The process should be brought about harmoniously and the best possible balance should be achieved between the various sectors of the economy.

58. The FAO representative had said (202nd meeting) that growing industrialization in Argentina and Australia had limited the extent to which those countries' available resources had been devoted to agriculture, but the Argentine Government in fact considered the expansion and diversification of its agricultural and livestock production of fundamental importance for its economic policy, and its principal efforts were directed towards achieving an adequate balance between its primary and industrial activities.

59. The policy of substitution occupied a predominant place among the procedures which had most affected the price relationships of raw materials. That process, the result of scientific and technological progress, had made possible an improvement in the quality of goods produced and greater well-being for men in general. No restrictive measures could halt it. Nevertheless, the international division of labour brought about by the vast industrial expansion of the previous century, which had divided the world into industrialized countries and suppliers of raw materials, made it necessary to take the need for progress of the less developed countries into account, in considering the problem of substitutes. Any substitution, particularly if it was sudden and forcible, inevitably constituted a strain on the economy of the country supplying the original product.

60. Technical progress could not be impeded, but much might be done to avoid governmental action to substitute synthetic for imported products with the sole object of becoming self-sufficient. When there was no economic justification for substitution, governments should not encourage it, lest they harm the economic structure of the primary producing countries. He did not of course imply that governments should not promote scientific and technological research, and in that sense he shared the views expressed by the Belgian representative in his defence of synthetics.

61. Paragraph 4 (b) of his delegation's draft resolution (A/C.2/L.162 and Corr.1) recommended that governments should refrain from encouraging the production of any synthetic or substitute materials that unnecessarily affected the international demand for natural primary commodities. He wished, in particular, to emphasize the word "unnecessarily". Substitution was unnecessary when the actual and potential cost of an artificial product was greater than that of the natural product, and when official measures facilitated or speeded up a process of substitution which would not otherwise have taken place or would have required more time. The draft resolution, of course, made an exception in favour of the requirements of national security in times of war, and technological research and progress.

62. The recommendation in paragraph 4 (c) of his draft resolution was directed against a policy of autarky in primary products. The negative effect of such action on the development possibilities of countries which supplied raw materials was too obvious to require comment.

63. Throughout the draft resolution, reference was made to cyclical fluctuations in the prices of primary commodities. The importance of stabilizing the prices of primary products was undeniable, but no action to that end could give satisfactory results if it did not at the same time establish an adequate and equitable relationship between the prices of primary products and those of manufactured articles. Otherwise, only the highly industrialized nations would benefit from the stabilization. It was therefore essential that price relationship should take a leading place in all future international plans for the stabilization of prices of primary products. In the past, the prices of primary products had in certain cases been partly stabilized through the action of cartels. An opposite type of action had been taken more recently by certain industrialized countries which had adopted measures to restrict demand in times

of high prices, so as to depress prices. Both types of action were equally prejudicial to the under-developed countries and to the economic progress of the world as a whole. They should therefore be avoided in any future international arrangements for price stabilization.

64. Some representatives had suggested that the probable high rate of economic activity in the immediate future would bring about an equitable price relationship. That was a mere conjecture which the evolution of events appeared likely to belie; moreover, even under the most favourable conditions, the process of deterioration would tend to be perpetuated by the structural factors to which he had already referred. Official action should therefore attempt to promote the establishment and maintenance of price relationships which would permit adequate capital formation in the less developed countries and would thus facilitate a rate of economic expansion at least in keeping with their population growth.

65. The study requested in paragraph 6 of the draft resolution would be of undeniable advantage in pro-

moting fuller realization of the magnitude of the problem. Similarly, the report to be prepared by a group of experts to be appointed under paragraph 7 of the draft resolution would facilitate the adoption of measures to correct the mistakes of the past.

66. He would not stress the need of finding effective formulae for the adequate financing of economic development of the under-developed countries. His delegation submitted its draft resolution in the hope that it would lead to a clearer conception of the scope of the problem and to the consequent application of practical measures to solve it. The immediate object of the draft resolution was to prevail on highly industrialized countries, which had the major responsibility for the economic and social progress of the world, to cease once and for all to apply measures based solely on their own advantage, to the detriment of a fair and equitable price relationship for primary products. If the necessary understanding on the problem was achieved, it would lead to peace and prosperity for all without distinction.

The meeting rose at 5.30 p.m.