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AGENDA ITEMS 12, 28, 29 AND 30

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CONSIDERATION OF DRAFT RESOLUTIONS
(A/C.2/L.550/REV.2 AND ADD.1) (continued)

1. Mr. BERNARDO (Argentina) introduced the re-
vised draft resolution (A/C.2/L.550/Rev.2 and Add.1)
and explained that it represented a compromise agreed
on by the sponsors of draft resolutions A/C.2/L.550/
Rev.1 and A/C.2/L.556 and Add.1/Rev.1. Only a few
changes had been made in the original draft, since
there had been no fundamental difference between the
viewpoints of the sponsors of the two drafts. The
eighth preambular paragraph had been rendered more
explicit by adding a reference to the report of the
group of experts which had been established in pur-
suance of General Assembly resolution 1423 (XIV)
(E/3447). In the tenth preambular paragraph, the
words "an effective solution to the problems raised
in this resolution" had been replaced by the words
"effective solutions for achieving this purpose",
which were clearer. In the operative part, a new
paragraph 4 had been added which, apart from several
drafting changes, reproduced operative paragraph 2
of draft resolution A/C.2/L.556. It had been con-
sidered advisable to include a reference to a problem

with which the developing countries were concerned. On a proposal by Canada, the word "solution" had been put in the plural in operative paragraph 6.

2. Mr. FERNANDINI (Peru) stated that his delegation would not only support the draft resolution, but also wanted to be included among its sponsors. The draft reflected the efforts being made by countries that wished to develop their economies rapidly in order to obtain the support of the industrial countries with a view to exploiting their own resources. They must accordingly be assured of an improvement in their trade and of a minimum of security with regard to the selling prices of their products, for price fluctuations engendered serious economic crises and, what was worse, hampered all attempts at normal economic planning. Peru, which was intrinsically a producer of raw materials, was very much concerned over the problem of price stabilization, because without stable prices it would not be able to import the capital goods required to carry out its development programmes. The highly industrialized countries, which had remained indifferent to that situation, were now feeling its effects inasmuch as their exports had been substantially reduced and their balance of payments had deteriorated. The only way for them to remedy the situation was by helping to stabilize the prices of primary commodities. It was therefore important that international meetings and conferences should be held in an endeavour to find solutions to the international trade problem.

3. The Peruvian Government attached considerable importance to the establishment of study groups for specific commodities, for such bodies could play a useful part in drawing up statistics, in helping to stabilize prices and in finding new uses for certain commodities that had suffered a drop in price. While the less developed countries were in need of income from foreign exchange, they also had to defend themselves against inflation. They accordingly needed well-organized fiscal and economic systems, but even more they had to be guaranteed free trade and stable commodity prices. The problem dealt with in the draft resolution concerned not only the less developed but also the highly developed countries, for the latter had much to gain from the expansion of markets in the developing countries which would follow the implementation of their development programmes. By uniting in a common effort, the States Members of the United Nations should be able to secure a minimum rate of economic growth all over the world. As far as surpluses of foodstuffs or other products were concerned, they should be disposed of in accordance with the principles laid down by FAO and with Public Law 480 of the United States and should be used exclusively for purposes of assistance.

4. Mr. MAÑUECO (Spain) recalled that during the general debate his delegation had stressed the importance it attached to international trade as an effective means of solving the difficulties of the developing countries. It had also made the point that action to enable those countries to trade in equitable conditions was just as important as providing them with assistance. Thus his delegation could not but support the draft resolution. He thanked the sponsoring delegations for having succeeded in reaching agreement on a draft resolution, and congratulated them on their spirit of co-operation. He was glad to note that they had dealt with the problem very broadly, without mentioning particular cases, for that was the only way in which a solution could be achieved. All the most

important aspects of the problem of trade had been mentioned. The draft resolution should not be taken as a denouncement of economic groupings or protectionist policies in general. It was only in so far as such groupings and such policies might bring about undue limitations or cause very great detriment to other countries, particularly those in the process of development, that they should be avoided.

5. As to food surpluses, it was the duty of all countries to furnish assistance in the form of foodstuffs to the underfed people of the world, but such assistance should be provided only in emergencies or in order to facilitate the economic development of the recipient country. It should thus be viewed only as a complement of other forms of assistance and should be incorporated into a country's general economic development plans. Also, as economic development depended on price stability, every precaution should be taken to prevent a subsequent dislocation of the international market in the products concerned.

6. As the questions relating to international trade were of a somewhat technical nature, it was a source of satisfaction that the draft resolution mentioned FAO, the specialized agencies, the Committee of Experts and the Commission on International Commodity Trade. Consultations must take place among those various bodies. It did not appear that the questions could be solved simply by declarations of principle, which were often prompted by political considerations. Objective technical studies designed to achieve specific solutions would be helpful.

7. Mr. LYCHOWSKI (Poland) said that while his delegation supported the draft resolution, it had also been willing to accept the draft resolution of the African countries and Indonesia (A/C.2/L.556 and Add.1/Rev.1). The Committee's task was, in fact, to make an important decision on one of the main problems of the day. The ideas expressed in the draft resolution of the Latin American countries showed the complexity of international trade problems, particularly at a time when the former international division of labour created by the capitalist system in the eighteenth and nineteenth centuries was crumbling and a new international division of labour corresponding to the new distribution of political and ideological forces in the world was making its appearance. The operative part of the draft resolution began with an appeal to the highly industrialized capitalist countries. It was an unfortunate fact that several resolutions adopted by the General Assembly in previous years had contained appeals of a similar type and that they had produced few practical results. That was proof that the system of international trade could not be altered by purely unilateral action.

8. The countries of North America and Europe, together with Japan, at present absorbed over 57 per cent of world imports, and they were constantly increasing the proportion of their mutual imports of industrial products to the detriment of their imports from other countries. Mutual imports between the industrial countries, which before the war had amounted to about 56 per cent of their total imports, had risen to over 63 per cent. On the other hand, their imports from the less developed countries, which before the war had amounted to 36 per cent of their total imports, now represented not more than 33 per cent. The process was, moreover, very irregular, for although the proportion of total exports from the oil-producing countries was increasing, the producers of foodstuffs had suffered considerable losses. In view of

the sweeping changes that had taken place in international trade, it was indispensable, in order to promote the expansion of trade in the developing countries, that international action should be taken to reverse the current trend.

9. The draft resolution before the Committee offered, to a certain extent, a starting point for such action. In order to achieve the desired objective, which was an expansion in the volume and value of exports from the less developed countries, the first step must be to prevent any further decrease in the volume of exports from those countries. For that reason, operative paragraph 2 concerning regional and sub-regional economic groupings should not only be accepted but, if possible, strengthened. That paragraph dealt with the current phenomena in western Europe which were likely to cause a further increase in mutual imports in proportion to the total imports of the highly industrialized countries.

10. The problem of increasing the value of current exports from the less developed countries was covered in paragraphs 4 and 5. It should not be overlooked, however, that the problem of prices, although important, left untouched the basic question of a long-term expansion in the volume of exports. That fundamental problem called for carefully prepared international action. Provision was made for such preparation in paragraph 6 of the draft resolution of the Latin American countries, but, in view of the need for prompt action owing to the steadily deteriorating situation of exports from the less developed countries, his delegation would have preferred the procedure outlined in paragraph 5 of the draft resolution of the African countries and Indonesia, and would support any amendment favouring the convening of a conference on world trade, and in particular on primary commodity trade.

11. Mr. AYARI (Tunisia) thanked the sponsors of the draft resolution for accepting some of the ideas contained in draft resolution A/C.2/L.556 and Add.1/Rev.1, prepared by his own and other delegations. As, however, some other ideas had been excluded from the revised text, the sponsors had decided to submit them as amendments (A/C.2/L.559).

12. The fifth preambular paragraph dealt with surplus disposal but, although the revised wording seemed preferable to the original, more precision was still needed. The problem of agricultural surpluses was a complex one, of many different aspects. Under bilateral agreements many countries were receiving assistance in the form of food that was used for different purposes: to compensate for bad harvests, to place a sum of money representing the exchange value of the aid indirectly at the disposal of the benefiting countries, or to provide work for unemployed persons paid largely in kind. That assistance was of great importance for many under-developed countries. The problem of agricultural surpluses would be discussed in the Committee when the agenda item dealing with it came up. There were also commercial aspects to the surpluses problem, and the present text might raise difficulties for some countries. It should relate solely to the commercial aspects and, in order to rule out any ambiguity, the words "in international markets" should be added at the end of the fifth preambular paragraph.

13. The Tunisian delegation would ask for the sixth preambular paragraph to be put to the vote separately; its present wording was not acceptable. Without going into the effects any particular grouping might have, it

must be recognized that economic integration was coming more and more to the fore and that many under-developed countries were trying to find ways and means of forming regional or sub-regional groupings or formulas of association.

14. Operative paragraph 6 dealt with the holding of international meetings and conferences. A real need would be met by consultations among countries on the problem of international trade and fluctuations in income from raw materials. They should take place within a broad framework going beyond that of existing organizations. International organizations, and inter-regional organizations founded on trade agreements, might both be included. The proposal in operative paragraph 5 of the draft of the African countries and Indonesia (A/C.2/L.556 and Add.1/Rev.1) requesting the Secretary-General to prepare a provisional agenda for an international conference on world trade problems would complete and strengthen operative paragraph 6 of the draft under discussion, and such action would not prevent the Secretary-General from consulting Governments or organizing meetings in preparation for a bigger conference.

15. With respect to operative paragraph 2 (b) of the draft resolution, he would prefer that the word "efficient" be deleted before the word "producers".

16. The delegations that had drawn up the draft resolution in document A/C.2/L.556 had no objection to the draft resolution submitted by the Latin American countries, but would like it to be supplemented and improved in order better to reflect the matters that were giving concern to most, if not all, Member States.

17. Mr. EDWARDS (Chile) thanked the sponsors for agreeing in a spirit of co-operation to withdraw draft resolution A/C.2/L.556. Having a single draft before the Committee would undoubtedly facilitate the adoption of international measures that would redound to the benefit of the under-developed countries, since their economic expansion was closely linked with the solution of world trade problems. The draft resolution, with the improvements introduced by the various amendments, was couched in broad enough terms to be applicable in any conceivable situation; it would not be realistic to want too much precision. The essential point was that it should enable further specific measures to be taken later. The Chilean delegation would vote for the draft resolution, and would study the amendments introduced by the Tunisian representative with the closest attention.

18. Mr. WHARTON (United States of America) said that his country had no prejudice against regional and sub-regional groupings, but felt that they should pursue policies that would not only benefit their own members but would also take full account of their obligations towards other States to promote the expansion of international trade. Adjustments would of course be necessary both within and outside the group. The United States for its part, as the Under-Secretary of State for Economic Affairs had recently made clear, had no intention at all of making them by restrictive or protectionist measures, but by continuing its dedication to the principles of an expanding world trade.

19. The United States Government had long recognized the great importance of commodity trade in world economic development and had always been most interested in seeking ways of alleviating trade problems, particularly with respect to primary commodities on which a large number of the developing countries depended substantially for financing their

economic development. As President Kennedy had declared on 13 March 1961, the United States was "ready to co-operate in serious case-by-case examinations of commodity market problems. Frequent violent changes in commodity prices seriously injure the economies of many Latin American countries, draining their resources and stultifying their growth. Together we must find practical methods of bringing an end to this pattern." The attitude of the United States was influenced by both national and altruistic concerns. That country was at the same time a major importer and a major exporter of primary commodities. While the United States was the world's largest exporter of wheat and cotton, it bought almost half the total world coffee exports, and was the largest single purchaser of cocoa, sugar and rubber. Both because the less developed countries were generally important producers of primary commodities and because his country was aware of the close relationship between their export earnings and their development, it was deeply interested in seeking ways to eliminate extreme fluctuations in export earnings from primary commodities, and help to develop expanding markets for them. Conscious of the responsibility shared by all industrially-advanced countries in that area, the United States had spent roughly \$3,500 million on economic assistance in 1960. The total outflow of United States capital, including private investment, had exceeded the target of 1 per cent of national income set by General Assembly resolution 1522 (XV). It would be regrettable if all the benefit of that assistance were lost through the persistent deterioration of the prices obtained by the less developed countries for their exports.

20. His Government was participating in the GATT discussions, which were aimed at improving the marketing conditions for the primary commodities, processed materials and manufactured goods exported from the less developed countries. It might perhaps also be well, as the representative of Japan had suggested (732nd meeting), if the United Nations Secretariat would report regularly to the Economic and Social Council and the General Assembly on the activities of GATT. Convinced, like most other countries, that solutions to commodity problems would be facilitated when studied on a case-by-case basis, the United States was a member of every commodity study group organized by FAO or by the United Nations, and of every independent study group, including the study groups on rice, citrus fruits, grain, cocoa, coffee, rubber, cotton and wool. It was party to the International Sugar Agreement and the International Wheat Agreement, and was currently giving serious consideration to membership in the International Tin Agreement. The Coffee Study Group, which the United States was largely instrumental in organizing, was now engaged in preparing an international marketing agreement which would be of tremendous importance to many countries in Latin America and Africa. His country was also supporting the efforts of the FAO Cocoa Study Group to work out an international marketing agreement for cocoa.

21. In the Western Hemisphere, the United States had joined with the Latin American countries to frame the Charter of Punta del Este, which recommended the application of national measures affecting trade in primary products in order to avoid undue obstacles to the expansion of trade in those products, to avoid market instability, to improve the efficiency of international plans and mechanisms for stabilization, and

to increase their present markets and expand their area of trade at a rate compatible with rapid development. On the international plane the signatories of the Punta del Este Charter were being asked to make co-ordinated efforts designed: first, to eliminate as soon as possible undue protection of the production of primary products; secondly, to eliminate internal taxes and reduce excessive domestic prices that discouraged the consumption of imported primary products; thirdly, to seek to end preferential agreements and other measures that limited world consumption of Latin American primary products and their access to international markets, especially the markets of Western European countries in process of economic integration, and of countries with centrally-planned economies; and lastly, to adopt the necessary consultation mechanisms so that their marketing policies would not have damaging effects on the stability of the basic commodity markets. The Charter of Punta del Este also called upon signatory countries to support the efforts made by international study groups and by the United Nations Commission on International Commodity Trade. By 31 March 1962 a group of experts was to report on measures to provide an adequate and effective means of offsetting the effects of fluctuations in the volume and prices of exports of basic products. They would be studying measures in many respects similar to the proposals for a development insurance fund—put forward by the group of experts on international compensation for fluctuations in commodity trade—which had been given preliminary consideration by the Commission on International Commodity Trade (E/3497, chap. III). The United States Government was studying those proposals thoroughly and sympathetically.

22. Those who participated in the discussions of the Commission on International Commodity Trade and the Punta del Este meetings were aware not only of the potentialities of stabilization techniques, such as commodity agreements and compensatory financing, but also of their limitations. In many commodities there was a basic problem of imbalance between supply and demand. Analysis of the current commodity situation left little doubt that oversupply was now affecting world commodity markets. That was the most important cause for the persistent downward pressure upon world commodity prices which had prevented prices from responding fully to increases in demand. While restriction in supply might in some cases be necessary, all possible efforts should be made to increase consumption, in part by accelerating economic development, which should be an effect of the United Nations Decade of Development. Even with increased economic development, it did not always follow that consumption of primary commodities would increase commensurately. High internal taxes in certain free-enterprise countries, and exorbitant profits made by State trading corporations in countries with centrally-planned economies, were seriously reducing the markets for many commodities, such as coffee, tea and cocoa. State-operated economies blamed deterioration in commodity prices on those who bought the most. In truth, the difficulty was exactly the opposite. For example, if the USSR imported as much coffee *per caput*, not as the United States, but as Czechoslovakia, that would immediately help solve the coffee surplus problem. While realizing that the Soviets were tea drinkers, he believed that reduction in retail coffee prices would still increase consumption. USSR tea imports before 1939 were 5 per cent of total tabulated world imports and at present

slightly less than 3 per cent. The United States, a coffee-drinking country, imported almost half of total world coffee exports, also 9 per cent of total tea exports. Comparisons were based on FAO statistics, in particular an article in the FAO Monthly Bulletin of Agricultural Economics and Statistics for June 1961.

23. With respect to the draft resolution submitted by the Latin American countries (A/C.2/L.550/Rev.2 and Add.1), he said it followed the same spirit as that of the Punta del Este Charter, and his delegation would be pleased to give its support. His delegation would, however, like to see one of the important points in that Charter incorporated into the draft resolution, namely, the need for reduction of excessive domestic prices to stimulate consumption. That might, for instance, be done in operative paragraph 2 (c) by adding the words "and to reduce the difference between import and sales prices" after the word "practices", and he submitted an amendment (A/C.2/L.561) to that effect.

24. Mr. AMADOR (Mexico) welcomed the draft resolution, which met a great need, since the United Nations ought to take specific steps to promote the under-developed countries' international trade, one of their principal means of economic progress. Mexico had always maintained that economic development should be primarily the result of each country's own efforts, as was stated in the third preambular paragraph; but it had also always maintained that countries seeking to develop themselves should receive fair remuneration when they endeavoured to increase their exports. The important thing was not for a group or a certain number of countries to sympathize with another country's situation, but for all countries to act positively together. The Mexican delegation would study most carefully the amendments submitted by the sponsors of draft resolution A/C.2/L.556, whose spirit of co-operation was praiseworthy.

25. Mr. NATORF (Poland) was surprised at the figures quoted by the United States representative, which might give the utterly false impression that tea and coffee were very hard to obtain in Poland. The United States representative had doubtless compared domestic prices in Poland with those in other countries by using the official rate of exchange of 4 zlotys to the dollar, instead of the tourist rate of exchange of 24 zlotys to the dollar in current use in Poland. With the latter rate of exchange he would have obtained a very different picture and one much closer to the actual conditions in Poland, which could easily be verified.

26. Mr. SMID (Czechoslovakia) pointed out to the United States representative that Czechoslovakia's importation of coffee had risen from 5,226 tons in 1958 to 7,138 tons in 1960. The consumption of coffee per head of population had risen by 15.4 per cent in 1960. The United States representative's pessimism was therefore entirely unjustified. During the past five years domestic prices in Czechoslovakia had decreased six times and, because of a gradual rise in salaries and wages, per caput consumption had increased more than three times. In 1960 prices had fallen by 12 per cent. By 1965 per caput consumption would have increased by 30 per cent, and per caput consumption of coffee by 50 per cent. All those forecasts came within the general scheme of the plans for Czechoslovakia's economic development, which were designed to meet the country's needs as a whole.

27. Mr. TANASE (Romania) said that the growth of the developing countries was considerably hampered by

the instability of the primary commodity markets, since it depended largely on their ability to import capital goods with their export earnings. He drew the Committee's attention to paragraph 20 of the report on ways and means of promoting wider trade co-operation among States (E/3520 and Add.1), which indicated that the susceptibility of international trade in primary commodities to violent fluctuations had several causes, among which cyclical variations in the economic activity of the industrial countries occupied a prominent place, especially with regard to trade in industrial raw materials. In the case of agricultural commodities the causes of instability were frequently accentuated by changes in the stocks held by importing countries occurring in association with variations in industrial output and also in response to speculative motives. International trade in primary commodities was dominated by capitalist monopolies and was therefore very sensitive to the general economic situation in the industrialized countries. That tendency was aggravated by the formation of closed economic groupings and by the protectionist policies of the capitalist countries.

28. The draft resolution before the Committee mentioned the effect of those factors upon the economic situation of the under-developed countries, but not the part played by cyclical variations in the economic activity of the capitalist industrialized countries. It would also be advisable to point out in operative paragraph 3 that a diversification of trade would improve the terms of trade of the countries exporting primary commodities, by modifying the traditional capitalist international division of labour. Without radical changes in the existing structures only temporary palliatives for the problems could be found.

29. In operative paragraph 1 mention should be made of the value of long-term bilateral agreements like those concluded between the socialist countries and the under-developed countries. As stated in paragraph 51 of document E/3520, "For the under-developed countries, these agreements, in so far as they open up additional markets for their exports and augment their imported supplies, contribute to easing their external trading position." During the past year, Romania had concluded such long-term agreements with Brazil, Indonesia, Cuba and other countries.

30. An international conference should also be convened to work out measures for remedying the instability of the commodity market and for encouraging the growth of international trade. The agenda could be prepared by a working group with a broad regional membership and submitted to the General Assembly at its next session. The Romanian delegation supported the amendment proposed by Tunisia to operative paragraph 6, and would vote for the draft resolution.

31. Mr. STANOVNIK (Yugoslavia) said that his country considered the liberalization of foreign trade desirable not only economically but also politically. The example of Yugoslavia itself, which had recently and successfully taken steps to liberalize its foreign trade, proved that a country could have a liberal international trade policy and still protect its own domestic political system. In reply to speakers who had been disturbed to note that international commerce was more and more taking the form of trade between industrial countries at the expense of the under-developed countries, he pointed out that it was perfectly natural that the increasing industrialization of

the world should be accompanied by an increase of trade in industrial products.

32. He was obliged to the Tunisian representative for explaining that the purpose of his amendment to the fifth preambular paragraph had been to establish a distinction between the commercial purposes of surplus disposal and its humanitarian aims of assistance. He believed that if the commercial demand corresponded to existing world needs there would be no over-production; the existing world demand should therefore be increased so as to enable the producers to sell their products. He was glad the auxiliary verb "may" had been used in the sixth preambular paragraph to indicate that certain aspects of regional and sub-regional economic groupings might introduce, perpetuate or reinforce obstacles etc., without stating that they necessarily did so. It was also well to speak of unspecified "groupings", since it was undeniable that groupings of any kind, while subscribing to very diverse principles, could be detrimental in very different ways to international trade. For example, GATT experts had pointed to certain aspects of the fiscal policies of a number of industrial countries which had the same effect as restrictive customs policies.

33. On operative paragraph 1, the formulation of the trade policies of economically developed Member States mattered less than their implementation. Moreover, the expression "special advantages" was not a very happy one: the aim was not to grant favours to the developing and under-developed countries, but to secure fair treatment for them. In operative paragraph 2 (a) it would be better to say "unjustified" than "excessive" protection, since it was very hard to assess quantitatively what was and was not excessive, and it would be better to be content with a qualitative

epithet. While in principle supporting the proposed United States amendment to operative paragraph 2 (c), he was afraid that it might cause difficulties because the price structure in each country was a function of its consumption structure. The effects upon export earnings of the seasonal maladjustments mentioned in paragraph 4 were very short-term effects outside the scope of IMF, which should concern itself only with medium-term and long-term fluctuations. The Yugoslav delegation warmly supported the idea expressed in paragraph 6, for it had long advocated such international meetings. The countries taking part in the Belgrade Conference of Non-Aligned Countries had called, in its final act, for an international trade conference.

34. Mr. KORTEWEG (Netherlands) entirely supported the ideas behind the draft resolution. He was only sorry to see that the sixth preambular paragraph reflected by implication the criticisms of the European Economic Community that had been voiced during the general debate. Those criticisms were unfounded, for the Common Market had as yet done no harm to international trade. He therefore proposed an amendment (A/C.2/L.560) to the effect that the paragraph should be replaced by the words:

"Deeming it desirable that the trade policy of the regional and sub-regional economic groupings should avoid creating obstacles and restrictions to the trade of the developing countries, hampering the expansion of this trade and discouraging the necessary growth of the production of these countries,".

He felt that that would be a much more positive wording.

The meeting rose at 6.10 p.m.