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Chairman: Mr. Marcial TAMAYO (Bolivia).

AGENDA ITEMS 30 AND 12

Economic development of under-developed countries (continued):

- (a) Report by the Secretary-General on measures taken by the Governments of Member States to further the economic development of under-developed countries in accordance with General Assembly resolution 1316 (XIII);
- (b) Progress in the field of financing the economic development of under-developed countries

Report of the Economic and Social Council (chapters II, III, IV and V) (continued)

(A/4143, A/4211, A/4220 and Corr.1 and Add.1 and 2, A/C.2/L.429, A/C.2/L.431 and Add.1, A/C.2/L.432, A/C.2/L.434, A/C.2/L.435 and Add.1, A/C.2/L.436, A/C.2/L.437 and Add.1, A/C.2/L.438, A/C.2/L.439 and Add.1-4, A/C.2/L.441, A/C.2/L.442)

CONSIDERATION OF DRAFT RESOLUTIONS (A/C.2/L.429, A/C.2/L.436, A/C.2/L.437 AND ADD.1) (continued)

1. Mr. FINGER (United States of America) said that his delegation had supported the draft resolution adopted at the previous meeting (A/C.2/L.440 and Add.1) because the decision to establish an International Development Association as an affiliate of the International Bank for Reconstruction and Development was a major event in the field of international financing of the economic development of the less developed countries and should therefore be welcomed by the General Assembly.

2. With regard to operative paragraph 3 of the original text, he observed that there was a wide range of views among delegations as to what procedures should be adopted to assure effective co-ordination and consultation between the United Nations and the proposed Association. His delegation's support of the resolution in no way implied support of a specific co-ordination machinery. Appropriate procedures could be worked out by the Executive Directors of the International Bank and could then be discussed between the International Bank and the International Development Association, on the one hand, and the United Nations and the specialized agencies on the other. That was the way procedures had been worked out in the case of the International Bank, the International Monetary Fund and the International Finance Corporation. His delegation was pleased that the sponsors of the draft resolution had accepted in substance the Uruguayan amendment (A/C.2/L.444/Rev.2) because it provided for co-ordination of the Association's activities not only with the United Nations but also with the specialized agencies concerned.

3. Mr. MENDOZA LOPEZ (Bolivia) announced that his delegation would, if present, have voted in favour of the draft resolution as finally adopted by the Committee.

4. Mr. CARDENAS (Ecuador) stated that his delegation would also have supported the draft resolution. The fact that it was a sponsor of a draft resolution looking towards the establishment of a United Nations capital development fund (A/C.2/L.431 and Add.1) showed that in its view the International Development Association could not take the place of such a fund but was merely an additional means of assisting the under-developed countries to finance their development.

5. The CHAIRMAN invited the Committee to consider the draft resolution on the strengthening and development of the world market and the improvement of the trade conditions of the economically less developed countries (A/C.2/L.429) and the Liberian amendment to that draft (A/C.2/L.445). As it had been agreed (627th meeting), representatives might also refer to the two other draft resolutions on the same subject (A/C.2/L.436, A/C.2/L.437 and Add.1).

6. Mr. EASTMAN (Liberia) said that he had studied the draft resolution submitted by Bulgaria, Czechoslovakia and Poland with great interest, and could appreciate the reasons which had prompted the sponsors to submit it. The draft was characteristic of the attitude of the socialist States towards the under-developed countries. The African States in particular were grateful to the socialist countries for the assistance they had received from them on various occasions.

7. His delegation approved most of the provisions of the draft resolution but had certain reservations with respect to paragraphs 2, 3 and 4 of part A because the measures proposed were not set out in proper

order and appeared virtually impossible to implement. It had therefore submitted an amendment which would replace paragraphs 2, 3 and 4 by two new paragraphs in which the Secretary-General would be requested to prepare a report on the possibility of creating a trade organization and to submit the report to the Economic and Social Council and the General Assembly. The amendment did not in any way alter the purpose of the draft resolution, and he hoped that the sponsors would be able to accept it. If they were unable to do so, he regretted that although the draft resolution made a valuable contribution to the solution of the problem under consideration, he would be obliged to abstain when it was put to the vote.

8. Mr. DUDLEY (United Kingdom) said that, as representative of a country which depended on world trade more than any other nation, he had been glad to hear the Polish representative say that his main concern was to promote the expansion of international trade rather than to advocate a particular method of achieving that end. However, he could not agree with the Polish delegation on other points. The proposal for a world trade organization was not a new one and had been submitted to the General Assembly by the same sponsors or their associates on a number of occasions, notably in 1957. The Economic and Social Council had discussed the question at great length three years running, in 1956, 1957 and 1958. On each occasion a majority of the delegations had decided that the establishment of such an organization would not serve a useful purpose. The reasons were set out in the replies of Governments to the questionnaires sent by the Secretary-General under Economic and Social Council resolutions 614 (XXII) and 654 (XXIV). The replies were reproduced in documents E/3004/Add.1-4 and E/3127/Add.1-3. The existence of those statements of governmental opinion and of the Secretary-General's report on international machinery for trade co-operation^{1/} prevented the United Kingdom from supporting the Liberian amendment.

9. The United Kingdom Government considered that no useful purpose would now be served by attempting to establish the international trade organization which had been envisaged in the Havana Charter. GATT and other existing organizations were adequate for dealing with the problems of international trade. Certain delegations had criticized the scope of membership of GATT. However, GATT was open to all countries which were prepared to accept its obligations in return for the benefits it offered. Poland and Yugoslavia had in fact established an association with GATT in a form which took account of their different system of trade.

10. With respect to paragraph 1 of part B of the draft resolution, his delegation felt that the question of the stabilization of the commodities markets was covered much more fully and constructively in the two other draft resolutions (A/C.2/L.436, A/C.2/L.437 and Add.1). That did not mean, of course, that his delegation endorsed those two draft resolutions in their entirety. Paragraph 2 of part B in fact constituted an advocacy of bilateralism and of a primitive form of barter. The United Kingdom delegation therefore could not vote for either part A or part B of the draft resolution. But because the expansion of world

trade was a subject of pre-eminent interest to all delegations, he hoped that it would be possible to recast the draft resolution in a more generally acceptable form.

11. His delegation proposed that the third preambular paragraph should be shortened and brought generally into line with the phraseology normally used on trade questions. Paragraph 1 of part A would be amended along the same lines. In paragraph 2 account should be taken of the indispensable services which multi-lateral organizations were already rendering to the flow of international trade. The sponsors might be well advised to omit some of their specific recommendations which were unlikely to meet with the general approval of major trading nations. With regard to paragraph 3, the United Kingdom delegation felt that it would be better to invite the Secretary-General to take the views expressed by the sponsors into consideration in preparing the next World Economic Survey, which would be considered at the thirtieth session of the Economic and Social Council and the fifteenth session of the General Assembly. If that proposal were accepted, paragraph 4 of part A would lapse. In part B, countries requiring commercial credits should be offered a better choice. The sponsors would also do well to delete their anachronistic suggestions regarding bilateral trade and barter.

12. Mr. KLOOS (Netherlands) said that as representative of a country poorly endowed with raw materials whose very existence was unthinkable without a vigorous flow of imports and exports, he was keenly interested in the problems raised in the draft resolution. The Netherlands welcomed every initiative to expand international trade and remove protective barriers, as was demonstrated by its participation in the European Economic Community and its efforts to promote the establishment of a workable free trade area. Both at the regional level and in the United Nations, the Netherlands had always supported proposals aimed at the expansion of international trade. His Government had always been a strong supporter of the General Agreement on Tariffs and Trade which, as indicated in its preamble, had been concluded not merely to regulate tariff matters but also with a view to raising standards of living, ensuring full employment, increasing real income in the participating countries and developing effective demand. The Polish representative had noted that the membership of GATT was considerably smaller than that of the United Nations. The fact was, however, that the GATT countries accounted for some 80 per cent of world trade. Furthermore, countries desirous of joining any new international trade organization which was to be an effective instrument in freeing trade would meet precisely the same practical difficulties as countries now considering joining GATT. Moreover, in view of the way it had evolved, GATT increasingly offered the possibility of safeguarding the interests of the less developed countries. For all those reasons this delegation could not support the proposal for the creation of a single universal international trade organization.

13. With regard to part B of the draft resolution, concerning the stabilization of commodity markets, his delegation would prefer a more general investigation on the lines proposed in the other draft resolutions on the subject. A long-term trade and payments agreement might have a stabilizing effect on commodity markets, but it might equally well have an unfavourable

^{1/}Official records of the Economic and Social Council, Twenty-second Session, Annexes, agenda item 2, document E/2897.

effect if it stabilized uneconomic production or fixed unrealistic prices.

14. The reciprocal agreements referred to in paragraph 2 were merely a form of barter. The bilateral arrangements involved in such tied credits seemed to be at variance with the concept of a multilateral world market contained in part A. Under such arrangements instead of benefiting from competitive conditions in the world market, the borrower was forced to buy in a specific country and to accept the prices and quality of the goods exported by the lender. As to reimbursement in raw materials, it was difficult to imagine that a country which supplied another with industrial equipment would always be able to use the particular raw materials offered by its partner. The system advocated in part B, in fact, marked a step backward towards the bilateral system which many countries had been obliged to use immediately after the Second World War. The existing multilateral system, which had been carefully built up, largely through such international agencies as the International Monetary Fund, GATT and the Organisation for European Economic Co-operation, and which was based on sound economic and financial policies pursued by Governments, should not be bartered away for a bilateralism which could only prove harmful to the interests of the international economy at large and the less developed countries in particular. His delegation hoped that the sponsors of the draft resolution would not press it to the vote in its existing form.

15. Mr. ARKADEV (Union of Soviet Socialist Republics) expressed surprise at the remarks made by the United Kingdom representative, which gave the impression that all the objectives of economic development had been achieved and that neither the Committee nor the Council need do anything further. Everything pointed to the contrary. For example, new economic groups were being formed and there was an increasing need to improve the organization of economic activities and co-operation among all countries. It was always possible to do better and the United Nations should be constantly developing its activities. Economic development was of particular importance, and any proposal to promote it deserved close attention.

16. The Netherlands representative had criticized the bilateral agreements referred to in part B, paragraph 2, of the draft resolution. Such agreements, however, were no obstacle to the development of international trade. The Soviet Union had concluded such agreements with the United Kingdom, Italy and other countries, including the Netherlands. If they marked a step backward it seemed strange that those countries should have negotiated and signed them. The fact was that the draft resolution merely mentioned a form of co-operation which was indispensable in present circumstances.

17. There was no denying that serious economic problems had to be faced at the present time. The Press and international conferences were constantly discussing the removal of barriers to trade, the establishment of fair prices for raw materials and manufactured goods, the provision of credit, balance of payments difficulties, and other matters of that nature. It was natural, therefore, that the Committee should deal with such problems. It was astonishing that no international organizations had yet been set up to make special studies of the development of international trade and the industrialization of under-developed countries,

whereas such organizations were in being, for example, for agriculture, health and education. It was true that the United Nations published studies and that some committees examined those matters, but that was not enough. It was time to set up bodies devoted solely to solving the problem of trade, world economic relations and the industrialization of under-developed countries.

18. The CHAIRMAN apologized for interrupting the USSR representative. He had just learned that the plenary Assembly was about to begin examining the Second Committee's reports on the progress and operations of the Special Fund and on programmes of technical assistance. He would therefore have to suspend the meeting in order to enable representatives to attend the plenary meeting.

The meeting was suspended at 3.30 p.m. and resumed at 4.20 p.m.

19. Mr. ARKADEV (Union of Soviet Socialist Republics) expressed the hope that, although the members of the Committee approached the problem of international trade from different angles, they would be able to support the three-Power draft resolution. Although the United Nations and Member States had neither ignored the question of international trade nor underestimated its importance and the need to develop it, the Havana Charter had remained a dead letter. The structure of GATT precluded it from taking the place of an international trade organization. Its rules were very strict. Some countries had had to wait several years to join it, and others had never managed to do so. That was a completely anomalous situation. It was necessary to set up an organization which would be open to all countries wishing to join it. That would not preclude the adoption of other measures, such as the short special meetings at the ministerial level suggested by the Secretary-General. However, it was somewhat surprising that when the Secretary-General had considered the problem of international trade, he had not taken a wider approach and proposed the establishment of an international trade organization.

20. Furthermore, GATT had lost some of its importance through the establishment of regional groups which, far from promoting international co-operation, divided the world into several markets. The establishment of an international trade organization would be one way to reconcile the activities of GATT with those of the regional groups. The central organization would seek out the best ways in which to co-operate in developing international trade and removing trade barriers. It would be able to co-ordinate the activities of the existing organizations of more limited scope, including GATT and regional bodies. The new organization should be universal in character. It would have to be a permanent body, whose functions would be to advise and take action with a view to intensifying co-operation in the field of international trade. Its activities would be specified in its charter and would deal *inter alia* with the removal of artificial barriers to trade, the development of under-developed countries, prices of goods, transport, etc.

21. It was the Committee's duty to take into account all the desires and opinions expressed in the course of the discussions. The United Nations had not been sufficiently active in the economic field and should therefore consider a new type of action which would be more in keeping with economic realities and with the responsibilities of an international organization.

22. Part B, paragraph 2, of the draft resolution contained an idea of particular interest for the under-developed countries, namely, the export of raw materials in exchange for the import of machinery and industrial equipment. The problem was similar to that which had given rise to the draft resolution on the establishment of a commission for industrial development (A/C.2/L.434). The sponsors of the latter draft resolution must realize the importance of the three-Power proposal with regard not only to its bearing on trade but also to all questions concerning the industrialization of the under-developed countries, for the establishment of an international trade organization would, generally speaking, be one means of bringing aid to the under-developed countries. It would be able to advise them on economic policies and help in the solution of problems such as the elimination of artificial trade-barriers and the obtaining of favourable credits. The draft resolution was ideally designed to meet the pressing need for radical changes in the development of trade and international co-operation. It would permit the necessary steps to be taken with full regard for interests of under-developed countries, whose development was one of the conditions for world economic development.

23. The United Kingdom representative had said that the idea was not new. That was of course true, but then neither was the idea of SUNFED, which was ten years old but was gaining more and more ground. The best ideas always won in the end.

24. He thanked the Liberian delegation for its efforts to find a text that would be more generally acceptable. The draft resolution reflected a real need, and, in supporting it, the Soviet Union was thinking not of its own interest, but only of promoting the welfare of mankind.

25. Mr. DUDLEY (United Kingdom) said that, contrary to the view of the Soviet representative, he himself considered that the United Nations and other international bodies were playing an important and effective part in the improvement of international trade.

26. It was true that the United Kingdom had concluded a bilateral trade agreement with the Soviet Union, but that was simply because there were no other means of trading with countries which had an economic and commercial system like that of the Soviet Union. With other States, bilateral agreements only became necessary when trade between two countries encountered particular difficulties.

27. In connexion with bilateral agreements and barter, he quoted a passage from the *Economic Bulletin for Europe* which stated: "If the Soviet Union should decide to 'liberalize' its own policies in this field—in the sense of increasing its dependence on international trade (i.e., the share of trade in total activity) and ceasing to insist on strict bilateral balancing in its trade and payments relations—the possibilities for the eastern European countries to earn transferable rouble surpluses in their trade with the Soviet Union could drastically affect their own trade levels and trading patterns."^{2/} It appeared that bilateral trading did not produce entirely satisfactory results even in eastern Europe.

^{2/}United Nations, *Economic Bulletin for Europe*, Vol. 11, No. 2, p. 49, Geneva, 1959.

28. Mr. STANOVNIK (Yugoslavia) stressed the magnitude of the problem by pointing out that the total value of international trade, including that of the Eastern countries and continental China, was \$120,000 million, which was equal to the total national income of all the under-developed countries.

29. The fact that some countries with planned economies, such as Poland, Czechoslovakia, and Yugoslavia, had decided to accede to GATT did not mean that the organization was completely satisfactory and that there was no longer any hope of creating a better one.

30. Any attempt to improve international market conditions and develop world trade was immediately confronted with the problem of the differences in internal economic structure and level of economic development of the various countries.

31. The commercial system of a country was always determined by the structure of its economic system. It was free enterprise which had given rise to customs tariffs, a luxury which countries with planned economies could hardly afford in their commercial relations. Yugoslavia had been able to become a member of GATT only by considerably changing its internal economy in the hope of eventually being able to introduce external convertibility and deal on an equal footing with the other members of GATT. Since, however, 30 to 37 per cent of the population of the world lived in countries whose economies were planned or were not completely founded on free enterprise and which therefore could not base their external trade on the same system as the other countries, it hardly seemed advisable to present them with an ultimatum either to change their system or to forgo international trade. It was absolutely necessary to develop world trade, but it was clear that GATT would not provide a solution to all the problems arising in that regard.

32. On the other hand, the under-developed countries, whose internal structure was still far from fully evolved and whose incipient industries needed protection, were clearly faced with problems which differed from those of advanced countries and thus required a different approach. In spite of recent attempts by GATT to adapt to the situation in the under-developed countries, the problems peculiar to those countries were not being dealt with by GATT. Considerable improvement could therefore be made in the present situation, and it would be in the general interest to carry out a study of those measures which could be taken to strengthen and develop world trade and to improve the working of GATT.

33. Turning to the question of international commodity trade, which had been the subject of very interesting studies by GATT and the United Nations, he examined the two other draft resolutions which had been submitted on that problem. The sponsors of the first of those texts (A/C.2/L.436) were concerned solely with making the fullest use of the services of existing organizations, and, in particular, of the Commission on International Commodity Trade, whose new programme of work they warmly approved. On the other hand, the second draft resolution (A/C.2/L.437 and Add.1) dealt with the particular question of the financial measures which might be taken to help offset the effects of large fluctuations in commodity prices on the balance of payments of exporting countries. That was clearly an extremely technical and complex question. It was therefore very necessary for the problem of compensatory financing to be studied by experts, who alone

would be able to tell the Commission on International Commodity Trade whether action of that kind was feasible or whether other arrangements should be resorted to in an effort to stabilize commodity prices. As the sponsors of that draft seemed to be tackling the problem in a very sensible manner, the Committee should be able to approve their text without too much difficulty.

34. He wondered whether it might not be better, in dealing with the three draft resolutions on commodities, to go from the particular to the general, instead of following the opposite approach, as the Committee was doing at present.

35. Mr. KLOOS (Netherlands) said that his country had concluded a bilateral agreement with the Soviet Union because that was the only means of doing business with that country. That was in no way incompatible with opposition to part B of the draft resolution, because there the choice was quite different, namely, between bilateral and multilateral trade. The Netherlands preferred the latter alternative.

36. Mr. FINGER (United States of America) said that, although the main ideas of the draft resolution under consideration (A/C.2/L.429) had been admirably presented to the Committee, they were not new. The United States delegation could not endorse them, since it did not see how it was possible to desire the development of a single world market and at the same time emphasize bilateral trade. As the representative of Canada had pointed out (626th meeting), narrowly bilateral trading arrangements were frequently self-defeating policies and also worked against the expansion of world trade. Even bilateral agreements which did not require a strict balancing of trade were clearly discriminatory, and therefore undesirable. They tended to prevent the international specialization and the increase in world income which were possible under a multilateral trading system. As convertibility measures had recently been taken by a number of countries, trade discrimination was no longer justified. The United States would continue to seek, as it had sought in the past, the replacement of bilateral arrangements with multilateral agreements such as those provided in the International Monetary Fund and GATT. Most of the Committee's members would no doubt recognize that the way to work toward a single world market was through a reduction of barriers to trade, and not by the erection of artificial walls as in the case of bilateral arrangements.

37. The reason that there was no single universal trade organization open to all interested countries was not that efforts had not been made. The Polish representative had himself acknowledged that existing world conditions did not favour its establishment. Even in 1947, when there had been much less political tension in the world, only a very small number of countries had ratified the Havana Charter, and the present prospects were even less favourable. Economic realities, even more than political ones, argued against the establishment of a world trade organization. The complex trade problems studied by GATT could be solved only at the cost of patient efforts. Although GATT had, admittedly, not yet solved all of them, the establishment of a new organization would have very little practical utility. All the members of GATT subscribed to the trading practices inherent in a free world market. Although the nature of the economic structures of other countries required them to engage in centrally-

directed trade, it was to be hoped that a modification of those structures would enable those countries to participate in international trade in a true world market. On the other hand, the establishment of a new organization would not in any way accelerate that development.

38. The Liberian amendment would make possible the elimination of some of the draft resolution's objectionable features, and the United States delegation had given it serious study. As the United Kingdom representative had pointed out, however, the subject of a "universal" trade organization had already been studied in detail by the United Nations. Consequently the United States delegation had misgivings about asking the Secretary-General, who was already heavily burdened, to undertake yet another report on the same subject, particularly since the study could be of little more than academic interest.

39. For those reasons, the United States delegation found the approach of the sponsors of draft resolution A/C.2/L.436 more constructive and realistic. That text stressed the expansion and development of world trade on a truly multilateral basis through the reduction of barriers to trade and the abolition of discrimination. It also stressed the usefulness of the work done by GATT and the Commission on International Commodity Trade. The members of GATT did over 80 per cent of the world's trade. Besides its thirty-seven members, soon to be joined by Tunisia, it included Yugoslavia and Poland as associate members, and at its last session twenty other countries had participated as observers. Among the most interesting activities of GATT were the work of Committee II, which was making a study of the non-tariff agricultural practices which adversely affected international trade, and that of Committee III, which was considering measures for the expansion of trade, with particular reference to the need for maintaining and expanding the export earnings of the less developed countries and for a diversification of their economies. His delegation believed that the emphasis placed by draft resolution A/C.2/L.436 on the expansion of trade through the elimination of barriers and through the use of organizations of proven worth was indicative of the right approach.

40. Mr. ADARKAR (India) said that he would like to help dispel certain misunderstandings which might prevent the Committee from giving the requisite attention to the ideas expressed in the draft resolution under consideration. The basic and completely unexceptionable principle embodied in the preamble was the desirability of developing the world market. Part A stressed that a substantial proportion of all trade was carried on by methods which differed from those recognized by GATT and that new arrangements should be envisaged in which all interested countries could participate. Since at present the only means of trading with countries with centrally planned economies was to conclude bilateral agreements, even some members of GATT had not hesitated to follow that course. The only solution, therefore, was either to wait for the countries with centrally planned economies to change their economic structure in order to be able to adhere to the principles underlying multilateral trade, or to modify the existing arrangements in order to make possible the participation of those countries. The situation where a country concluding an agreement with a socialist country was bound by the obligations of GATT which were not recognized by the other party was not

normal. It would be better for both parties to be bound by common rules, and that was the merit of the draft resolution submitted by the countries with centrally planned economies.

41. The claim that every bilateral agreement implied discrimination or the establishment of quotas was not true. India, in its agreements with socialist countries, had not granted them any preferential treatment in its own market. Since it had been able to reach agreements which were in no way at variance with its obligations as a member of GATT, it felt that arrangements compatible with the principles governing international trade as at present carried on were completely feasible. A realistic study by the Secretary-General of all aspects of international trade would be useful for, as the USSR representative had stated, unless the present situation was remedied, some countries wishing to join GATT would not be permitted to do so.

42. While welcoming the initiative by the countries with centrally planned economies as an indication of their possible willingness to comply with certain general trade rules, his delegation did not believe the establishment of a new international trade organization to be the only way of solving the problem. The present machinery, though by no means perfect, had shown itself to be quite flexible for coping with many needs, including those of under-developed countries. Adjustments were, however, called for, and in particular with regard to the problems created by regional trade organizations and agricultural protectionism. A study of the trade of countries with centrally planned economies could produce constructive results.

43. Nevertheless, some changes should be made in the text of the draft resolution. In the third preambular paragraph, for example, the word "single" should be deleted. In part A, paragraph 2, it would be preferable to request the Secretary-General to study the question, since any recommendations he could make on that subject would be useful.

44. In part B, paragraph 1, the words "and non-discriminatory" should be inserted between the words "on a mutually beneficial" and the word "basis" in order to make clear that the proposed agreements would not prove harmful to the trade of other countries. The words "and payments" in the same paragraph should also be deleted, since they did not apply to all types of agreements being concluded at the present time. In paragraph 2, the word "reciprocal" should be replaced by the words "mutually beneficial and non-discriminatory" so that the contemplated agreements would not seem to be mere barter agreements. Moreover, while the furnishing of industrial equipment to under-developed countries was to be encouraged, it seemed contrary to the principle of developing multi-lateral trade to tie the granting of credits to deliveries of raw materials. It would be preferable to replace the words "counterpart deliveries" by the word "exports".

45. He would be able to accept the draft resolution's basic principles on condition that his suggestions were taken into consideration and that the draft resolution was something more than a plea for a new international organization or for mere barter agreements.

The meeting rose at 6 p.m.