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Agenda item 2:

World economic situation (*continued*) 83*President*: Sir Douglas COPLAND (Australia).*Present*:

The representatives of the following countries: Argentina, Australia, China, Czechoslovakia, Dominican Republic, Ecuador, Egypt, France, India, Netherlands, Norway, Pakistan, Turkey, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Venezuela, Yugoslavia.

Observers from the following Member States: Brazil, Indonesia, Mexico.

Observers from the following non-member States: Bulgaria, Federal Republic of Germany, Hungary, Switzerland.

The representatives of the following specialized agencies: International Labour Organisation, Food and Agriculture Organization of the United Nations, International Bank for Reconstruction and Development, International Monetary Fund, World Health Organization.

AGENDA ITEM 2

World economic situation (E/2674, E/2684, E/2706, E/2712, E/2726 and Add.1 to 5, E/2729, E/2737, E/2738, E/2739, E/2740, E/2756, E/2771, E/2772 and Add.1, E/CN.12/359, E/CN.12/AC.25/5, E/ECE/194, E/L.634, E/L.676, ME/284/55, ME/285/55) (continued)

1. Mr. NOSEK (Czechoslovakia) said that, as the Soviet Union and other representatives had pointed out, the international political circumstances in which the present session of the Council was taking place were much more auspicious than in previous years. Among recent events which had contributed to bringing about favourable conditions for a further relaxation of international tension and an improvement of mutual relations among nations were the historic Bandoeng Conference of 29 Asian and African nations; the proposal made by the Government of the Soviet Union on 10 May concerning the reduction of armaments, the prohibition of atomic weapons and the removal of the danger of a new war; the signing of the Austrian peace treaty; and the joint declaration of the Soviet Union and Yugoslav Governments. The recent talks which the Prime Minister of India had had with Czechoslovak representatives during his visit to Prague had also confirmed the two countries' identity

of interest in developing friendly relations among nations and in maintaining and strengthening world peace.

2. In his delegation's view the Council should bear those events constantly in mind and should give its active support to all developments which might help to bring about the establishment, broadening and strengthening of friendly relations among nations. It was convinced that the various—and often complex—difficulties, due to objective as well as subjective factors, could be overcome by goodwill and that the present session could represent a further step in intensifying and extending international relations in the economic and social fields and so contribute to a solution of existing international political problems. The peace policy which was constantly pursued by the Czechoslovak Government sought to bring about the normalization of international relations as a prerequisite to the development of naturally advantageous economic and cultural relations among the peoples on the basis of full respect for the independence and sovereignty of individual countries.

3. His delegation appreciated the efforts of the Secretariat in submitting the considerable amount of documentation which was before the Council. The Secretariat was in principle correct in confining itself to the technical task of collecting and analysing economic data, and in not attempting to put forward any recommendations—since that was the responsibility of the Council itself. That approach could, however, result in the influence of certain factors which were decisive from one or other point of view being concealed or disregarded. The influence of certain economic factors differed according to the economic structure of the various regions or countries, and that must be taken into account if ways and means were to be found of increasing economic co-operation between them.

4. In the light of all the information available it was clear that 1954 had been to some extent a year of economic recovery for the industrially developed countries with private enterprise economies. The recovery, however, had not been of such a nature as to mark a more lasting and uninterrupted upward trend. Its characteristic features had been the growing disproportion between the various sectors of industry in the principal countries, the considerable militarization of the economy, the generally slow recovery of world trade and, finally, the intensified competition among the principal industrial and exporting countries.

5. Cost-of-living and employment data showed that there was no justification for the view that militarization of the economy was an essential stimulus to economic activity or that it could provide a sound basis on which to ensure all-round development of all sectors of the national economy. On the contrary, it was bound to

lead sooner or later to a decline in production for civilian purposes and to lower standards of living for the population. Moreover, it meant that fewer resources were available for rendering economic assistance to the economically less developed countries, which were also those mainly affected by the resulting fluctuation in world commodity prices.

6. Czechoslovakia was convinced that a further broadening and intensification of economic co-operation and trade relations among countries with different social systems, accompanied by a reduction of armaments and an expansion of the peace sectors of the national economy, was one of the most effective means of developing the world economy—including an even speedier development of industrially less developed countries—with a view to improving general living conditions.

7. During 1954 the planned expansion of the Czechoslovak national economy had continued. Industrial output had risen by 4.4 per cent as compared with 1953. The output of the coal industry had risen by 8.6 per cent and that of power plants by 10 per cent. The development of heavy industry as a whole, with particular emphasis on rapid development of the fuel, power and ore sectors, was again stressed in the plan for 1955. Thus the necessary basis would be laid for further development of light industry and increased production of consumer goods.

8. Agricultural production, on the other hand, though it had risen by 14 per cent during the five-year plan, was still lagging behind industry. The development of industrial production, as well as the constant rise in the real value of wages and salaries, laid heavy demands on agricultural production. Industrialization, however, at the same time made possible an increase in agricultural yields and the extensive utilization of all arable land, and the Government was devoting very considerable technical, material and financial resources to that end. The results achieved by the Unified Agricultural Co-operatives were proof of the effective assistance that the Government rendered. During 1954 alone the income per hectare of the Unified Agricultural Co-operatives—already firmly established in 47 per cent of all villages, where they farmed a total area of 1,900,000 hectares—had risen by 26 per cent. The Government had also established a wide network of well-equipped tractor stations. Thus it would be possible gradually to make up the lag in agricultural production.

9. As a result of the rapid growth of national income and its judicious distribution, personal consumption had risen by 23.5 per cent during the first five-year plan, and by a further 15.5 per cent in 1954. Thanks to the reduction in prices and the increase in average wages the real wages of workers had risen by 20 per cent in 1954. Social consumption had also risen substantially, as had already been mentioned during the discussion of item 3.

10. The State budget for 1955 was an instrument for further developing the national economy and raising the standard of living. 5.9 per cent more than in 1954 was being spent on development of the national economy—the figure for agriculture being 20.4 per cent or 100 per cent more than in 1952. 91 per cent more was being spent on the mechanization of agriculture than in 1954. Expenditure on cultural, health and social services

amounted to 32.9 per cent of the total budget—7.4 per cent more than in the previous year.

11. The national economies of the other people's democracies also showed an uninterrupted upward trend. In 1954 they had all fulfilled or even slightly exceeded the planned targets of industrial production and, despite unfavourable weather conditions and a shortage of manpower, had also increased their agricultural production, either as a whole or in individual branches. Unemployment had been eliminated everywhere; and employment and real wages were rising each year.

12. Different passages on pages 46 to 52 of the *World Economic Report 1953-54* (E/2729) referred to a supposed double change in economic planning in the people's democracies. He wished to emphasize that in Czechoslovakia, as in the other people's democracies, a policy of planned development of the entire national economy was pursued with preferential development of heavy industry as a necessary basis for the development of light industry and agriculture. In the course of that development certain temporary sectoral disproportions might arise, owing to either objective or subjective causes. Those disproportions were gradually being removed in a planned manner—without, however, any change of policy in a general sense.

13. Economic expansion in the people's democracies made possible an increasing development, on the basis of equality and mutual advantage, of lasting economic and trade relations with all countries, including the economically developing countries, with whom Czechoslovakia, for example, had increased its trade by 55 per cent in 1954 as compared with 1953. The natural and sound foundations of the Czechoslovak economy could provide a reliable and permanently growing market for practically all the products of the economically less developed countries. In exchange for their products Czechoslovakia could supply increasing quantities of the machinery and equipment that they needed for their economic development, and for complex industrialization in particular. Czechoslovakia was aware of the importance of ensuring a steady market, stable prices and financial means for the development of the economically less developed countries. It had therefore adopted the principle of adjusting its economy and trade relations with those countries by means of suitable long-term and similar measures to limit the harmful effects of fluctuation. Czechoslovakia had also proved its willingness to make the technical knowledge of Czechoslovak industry available to countries that had started out on the road of economic development, both in the United Nations Technical Assistance Programme and by means of bilateral agreements.

14. Thanks mainly to his country's efforts, which were based on the principle of mutual co-existence of countries with different social systems and the possibilities of mutual economic co-operation, there had also been, since 1953, some improvement in Czechoslovakia's economic and trade relations with the industrially developed countries with private enterprise economies, which had been applying a policy of discrimination towards Czechoslovakia since 1948-49. A substantial development of economic and trade relations, however, was still impeded by the policy of discrimination and by artificial

obstacles. The *Report* said that it was neither possible nor useful to study such impediments, on the ground that they were politically and not economically motivated. His delegation could not agree with that statement—any more than it could agree with the assertion on page 8 of the *Report* that the policy of discrimination was not aimed at any particular country or group of countries. In his delegation's view it was essential to discuss a policy which seriously impeded the development of mutual economic relations among nations and also the development of individual countries' economies.

15. Trade between Czechoslovakia, the Union of Soviet Socialist Republics, the People's Republic of China, Poland, Bulgaria, Hungary, Romania, Albania, the German Democratic Republic and the Mongolian People's Republic was based on the principle of equality of partners and on that of mutual advantages embodied in long-term agreements for economic co-operation. Similar principles had been applied in reviving mutually beneficial economic and trade relations between Czechoslovakia and Yugoslavia.

16. In general, his delegation agreed with what was said in the *Report* and the regional commissions' economic surveys, particularly the *Economic Survey of Europe in 1954* (E/ECE/194), concerning questions of foreign trade and economic co-operation among countries with different social systems. With regard to the question of the relative merits of bilateralism and multilateralism, to which considerable attention was given in those documents, his delegation's view was that neither method was *a priori* preferable and that the choice between them in each particular case depended solely on which of them, and in what concrete form, provided, in the particular circumstances, the most suitable instrument for increasing the international exchange of goods in the interest of all the parties concerned and for ensuring the best international division of labour.

17. One of the best ways of intensifying and expanding international economic and trade relations was by means of regional and inter-regional trade consultations of experts within the framework of the regional economic commissions. That method had already been successfully tried in the Economic Commission for Europe (ECE), which, at its tenth session, had unanimously adopted a resolution recognizing the usefulness of the method and its applicability to inter-regional trade. The proved advantages of the method were also mentioned in the Secretary-General's report on the subject (E/2674), which had been prepared on the basis of a resolution submitted jointly by the delegations of France, Belgium and Czechoslovakia at the Council's eighteenth session and unanimously adopted.

18. In view of the urgent need for positive measures to develop international economic co-operation and trade relations and in view of the responsibility shared by all countries, and especially by industrially developed countries, for solving problems of economic development, the Czechoslovak delegation was convinced that the proposal for inter-regional trade consultations would meet with the support of all delegations.

19. He paid a tribute to the work of ECE, in which Czechoslovakia took an active part. That work had made it possible to exchange valuable experience and bring about some expansion of economic and trade relations among all countries members of the Commission. There was no doubt that ECE could contribute to a further intensification of economic and trade relations among all European countries, and thus to a general easing of international tension in Europe and the establishment of an atmosphere of mutual confidence. It was therefore abnormal that some European countries which had already taken an active part in the Commission's work for a number of years were not yet members of the Commission with equal rights. His delegation regarded as fully justified the request for Bulgaria, Hungary, Romania and Albania to be admitted to ECE with full rights. That would moreover help to increase the Commission's authority as an all-European co-ordinating economic body.

20. Czechoslovakia also followed with great interest the work of the other regional commissions and had sent observers to a number of meetings of the Economic Commission for Asia and the Far East. Czechoslovakia particularly considered it abnormal that the greatest Asian power, the People's Republic of China, had not yet been allowed to participate in that Commission's work.

21. In conclusion, he again emphasized that in his Government's view the development of international economic co-operation in accordance with the directives which had been given to the Economic and Social Council in the United Nations Charter would promote the development of world economy as a whole and of the economies of the individual countries. That, in turn, would doubtless help to bring about a relaxation of international tension and to develop peaceful relations among nations. The Czechoslovak delegation was convinced that if the Economic and Social Council approached all the problems with which it was at present faced in an atmosphere of mutual confidence and understanding, and with all the sense of solemn responsibility they deserved, it could successfully settle them.

22. Mr. Said HASAN (Pakistan), referring to the three categories into which the *World Economic Report* divided the countries of the world—developed, under-developed and those with centrally planned economies—pointed out that some of the last-named had also been under-developed in the not too remote past, but had broken through the strangling grip of orthodox financial methods, had set whole nations to work and had thus accelerated the pace of their development. In fact, so seductive had been their example that a number of the still under-developed countries were at present endeavouring to emulate their methods by formulating national plans of economic development for a number of years ahead and, as a necessary corollary, introducing central control of capital flotation, of imports and consequently, though a little indirectly, of consumption. The under-developed countries to which he referred did, however, place great value on private enterprise and private trade; and the regulation of their economies was not inspired by ideological considerations, but by necessity springing from their shortage of resources, particularly foreign exchange.

23. Generally speaking, the *Report* for 1953/1954 was a most valuable document, perhaps the best report of its kind so far produced. Its excellence was evidence of the Secretary-General's personal interest in the economic affairs of the world. The viewpoint adopted, however, was still too much that of the more advanced countries. Pakistan, for example, a country of 76 million inhabitants, with serious and complex economic problems, received no more than a few passing references. Moreover, the *Report* did not go to the root of the economically under-developed countries' problems, but merely mentioned a few well-known symptoms. It was a commonplace to consider the economic problem of the under-developed countries as one whose solution lay principally in making available financial resources, particularly foreign exchange. Those countries had, however, a very large pool of unemployed or under-employed manpower, which could be used on many different types of project requiring little foreign exchange, such as the building of houses or the construction of country roads, canals and many kinds of irrigation works. Such a non-financial or "physical" approach to development needed a detailed economic study, since increased employment for the under-employed and unemployed would, for example, increase the demand for goods and thus affect the monetary sector. The organizational and other steps which were required to deal with such problems should be studied, although he did not, of course, mean to suggest that they could be studied in the *Report*.

24. The most significant aspect of the economic life of the under-developed countries was their current effort to develop themselves and the results of that effort. To a large extent, the effort centred on what might be called basic development—in other words irrigation, production of power and provision of cognate services. Those were generally long-term projects, but they needed heavy investments, particularly of foreign exchange. For that reason, internal measures were needed to restrict consumption and canalize investment into the more important sectors. Contrary, however, to what was said on page 6 of the *Report*, internal measures were no substitute for import controls, which were essential in order to save foreign exchange as well as to protect the new industries that had been established. The *Report* was also mistaken in suggesting that restrictions on the import of luxury goods sometimes led to the establishment of luxury industries in the under-developed countries themselves—for controls on capital issues and imports combined to make that impossible.

25. The *Report* also envisaged the possibility that the industrialization of under-developed countries would affect the economy of the advanced countries. The same misgiving had been mentioned at the time when the Colombo Plan had first been formulated. The answer surely was that, with the development of the backward areas of the world, levels of living would rise, demands would increase, trade would develop and in general the international economy would reach a much higher level. So-called structural changes in industry had already been completed in most of the Western countries. In fact, the imports of the under-developed countries during 1953 and 1954 had exceeded their exports, and many of them had had to draw on their external reserves. As the

United Kingdom representative had pointed out, those reserves were not inexhaustible and, if a balance at an ever higher level was to be achieved, the resources—and therefore the productive capacity—of the under-developed countries must rise in proportion. In their desire for development, the under-developed countries were at present paying a very high price, denying themselves all comforts and even many necessities of life. Many of them were still obliged to maintain restrictions against imports from the dollar area. Moreover, although European capital had played a great part in the development of the United States of America, and although western Europe in turn had been rehabilitated with United States aid, there had been little import of foreign capital into Asian countries, despite the very liberal concessions which many of them, including Pakistan, had offered—such, for example, as full repatriation of profits and capital, treatment on a par with nationals, and the like.

26. In that connexion he pointed out that the *Report* was wrong in suggesting, on page 12, that government guarantees for foreign investments were neither possible nor appropriate in present-day circumstances. Pakistan had recently signed an agreement with the United States which would enable the United States Government to give the necessary guarantees to United States citizens investing in Pakistan. That was another example of the genuine desire of the great American people to help the under-developed countries. Their assistance to Asia had been generous, even though it represented but a very small proportion of what Europe had received. Pakistan was grateful for United States aid, which helped his country substantially in carrying out its programme of national development. Pakistan had also received very considerable assistance under the Colombo Plan. Its own investments in development over the past four years had, however, amounted to six times the total amount of the aid it had received; and, as he had already stressed, that had entailed heavy sacrifices.

27. The current six-year programme was to be followed by a five-year programme, which was under preparation. The main emphasis so far had inevitably been on basic developments, such as hydro-electric and other power projects and irrigation, and to a smaller extent on essential consumer industries such as textiles. It was perhaps inevitable too that a certain amount of unbalanced growth should have taken place. The concept of balanced growth, however, must be applied over a long term. He was inclined to disagree with the example of unbalanced growth cited on page 15 of the *Report*. It was impossible for a newly developing country to expand in all sectors at once. Provided that there was an over-all integrated plan of development, the timing for the establishment of principal and subsidiary industries was possibly of secondary importance.

28. The financial resources required to promote economic development at a rate sufficient to provide employment for the annual increment in the labour force—and at the same time to raise the present low standards of living—far exceeded his country's available domestic resources, particularly since there was a considerable time-lag before development projects bore fruit. The consumption standards of the people at large had in fact been

reduced to the lowest possible level compatible with the country's stability. However, hard times made strong nations, and he was proud of his compatriots, who were suffering every conceivable hardship in order to make their country worth living in.

29. Turning to the European countries, he was glad that the much feared recession in the United States had not seriously affected either their production or their trade. The Netherlands representative had referred with justifiable pride to the co-operation between those countries and indeed the existence of a common European outlook facilitated the pursuit of common objectives. In Asia, where no such common outlook existed, the task of co-ordination and joint economic activity was proportionately less easy.

30. The world had now reached a stage in scientific advance when vast, almost thrilling, possibilities of achieving rapid economic development had been unfolded by the revolutionary discovery of atomic power. The initiative taken by the President of the United States in focusing world attention on the role of atomic energy for peaceful constructive purposes, and in promoting and sharing knowledge of that scientific miracle, might well result in a social and economic transformation in the under-developed countries within a period which would have appeared impossible a short time ago. If the potentialities of nuclear energy to annihilate mankind were almost infinite, so must be its capacity to contribute to mankind's happiness and welfare. The hopes of all mankind followed the United States and other countries in their efforts to direct nuclear power to the task of peaceful advancement.

31. In conclusion, he would point out that the backwardness, ignorance, illiteracy and poverty from which the peoples of the under-developed countries suffered were not of their own making. They were a heritage of misery from the days of political servitude and economic exploitation. Such peoples were now struggling to ensure that generations to come should enjoy a fuller and better life than had been vouchsafed to them. It had been said that the sins of the fathers were visited on their children and on their children's children unto the third and fourth generation. It was to be hoped that the sufferings of innumerable bygone generations had expiated the sins from which the world was still suffering.

32. Mr. MENEMENCIOLU (Turkey) said that, although he disagreed with many of the Secretariat's analyses and interpretations, he wished to express appreciation of the excellent and useful documents submitted to the Council. They were in part concerned with facts, figures and general tendencies, and in part with an assessment of the situation, particularly in the field of trade.

33. The general picture of the world economic situation in 1954 had continued to be very encouraging and the achievements of western Europe and some under-developed countries during the period had been impressive. Production and employment had continued to rise and investments had been maintained at a high level. The total value of world trade had been higher than in 1953, and in many areas considerable progress towards a better

equilibrium in trade movements had taken place—together with an improvement in the sphere of payments. The rise in *per capita* income and real wages had been almost general.

34. The most spectacular gains had been made by western Europe, which had been able not only to maintain its position, but also to make significant advances, despite the United States recession. Some of the reasons for that given by the *World Economic Report* were cautious—as, for example, when it pointed out that the United States Government's grants, investments and expenditures abroad continued to help to reduce the dollar shortage. Indeed, if the flow of dollars had stopped at a period when the United States was reducing its imports, the result might have been serious. Other explanations given were of a more optimistic character. For instance, it was noted on page 11 that "Europe was far better organized economically in 1953 than it had been in 1949"; also that "As production expanded in many parts of the world it became less necessary to rely on supplies from dollar areas. Larger supplies of products from non-dollar sources were becoming available to the non-dollar world—for example, there was a marked growth in Middle East oil production." Apart from that example having been badly chosen, for it might be understood to mean that oil could be paid for in the local currency of the producing countries—which was of course not the case—the statement itself was unfortunately only partly correct. Though many non-dollar countries had recently made considerable progress in the production of so-called dollar raw materials, western Europe did not seem to be making a conscious effort to increase or maintain its imports from such new sources, which were its natural and traditional markets. In fact, far from that having been the case, the most characteristic feature of the years 1953 and 1954 had been the complete liberalization of raw material imports from the dollar area in many European countries and the relaxation of restrictions on the same imports for the remaining countries. That liberalization was of course a healthy development; but the time factor was of paramount importance, because such measures could have dislocating effects when abrupt and too general. It so happened that during the preceding period western Europe had been suffering from an acute dollar shortage; consequently export prices of non-dollar raw materials had remained relatively high owing to competitive bidding by western European buyers. When the dollar shortage had become less acute and dollar imports had been liberalized, some areas had met with difficulties. An appreciable expansion in world trade would largely depend on western Europe's turning its attention to new areas of supply, which were also its traditional customers. As stated on page 142 of the *Report*, the primary producing countries had been left in 1954 with an over-all trade deficit of \$1.1 billion—which was \$500 million greater than in 1953. Thus, increased purchases by western Europe from such countries had not sufficed to allow them to increase their imports.

35. Although the statement on page 11 of the *Report* that "the ability of Europe to compete successfully in world markets was growing as productivity increased with plant modernization and lower costs" was correct

and very important, it should be put forward with the greatest caution as an explanation of why western Europe had been able to make impressive strides during 1954 despite the United States recession—lest it lead to misinterpretation and unduly optimistic conclusions.

36. International trade and world economy would benefit from a substantial increase in production and productivity in western Europe; but a change in the pattern of production, particularly of exports, was equally important. There was a definite trend towards closer contacts with traditional export markets and towards greater understanding of the difficulties of buyers and potential buyers—as well as some readiness to grant short and medium-term credit facilities for capital goods. Above all, greater adaptability to changing conditions was evident. Naturally there was room for further advance in that direction; but even such beginnings as he had outlined were generally beneficial, and he would quote as an example the significant improvement in the internal economy and export capacity of France during the past two years—which his country had had some opportunity of observing for itself.

37. Although commercial relations between France and Turkey were of long standing, they had for technical reasons never been extensive; and up to the end of 1952 France had exported mostly consumer goods and had shown no marked inclination to export capital goods. Though Turkey continued to maintain a very high level of investment in industry and public works, the share of France in Turkish trade had remained relatively small until a great change had taken place when French engineers, technicians and businessmen began to establish closer contact with Turkey and to join in the submission of competitive tenders for construction contracts. In 1953 and 1954 they had in several cases been successful.

38. His delegation considered that the increased import capacity of many traditional trading partners of western Europe had been a major factor in the general improvement in the economic situation during the past two years. Although the expansion of trade between the western European countries themselves was very encouraging, major economic factors could not be measured in solely quantitative terms. Even a moderate improvement in the exports of these countries to the primary producer countries, as well as in the terms of trade, could largely explain the greater prosperity of western Europe. That point had perhaps not received sufficient attention in the *Report*, and had not even been mentioned as one of the possible reasons for western Europe having better withstood the United States recession in 1953 and 1954 than in 1949. The *Report* also failed to bring out that, if western Europe had exported less to the rest of the world during 1954, when its exports to the United States were declining, it might not have been possible to avert a general crisis. It was also imperative to note that in 1954 many of western Europe's trading partners had been better equipped to fill the gap created by the reduction of imports by the United States. The reasons for those countries having a greater import capacity were as follows: first, their purchasing power had been less affected by the decline in United States imports than it had been in 1949; and secondly, United States grants, aid programmes and other overseas expenditures had

continued, and the under-developed countries had received a greater share than in 1949. They had also benefited from the Colombo Plan, from overseas expenditure by the French Government and from other regional programmes. Finally, considerable economic development by means of large-scale investment programmes had been achieved—even though at the price of reducing reserves to a dangerous level.

39. He fully shared the Australian representative's view that a high level of investment in all countries was necessary for an expansion of international trade and greater economic well-being, and he was convinced that the Council should give far closer attention to that need at the present stage. To illustrate this point, he would give a brief account of major developments in his own country. In that connexion he welcomed the opportunity of congratulating the Secretariat on the excellent and comprehensive report entitled *Economic Developments in the Middle East, 1945 to 1954* (E/2740).

40. During the period covered by this latter report, Turkey had made heavy investments for economic and social development, particularly from 1950 onwards. Significant results had been obtained in the mechanization of agriculture; and agricultural production had more than doubled. Enormous strides had been made in mining, as well as in industrial production—though most new industrial plant was still in process of construction. The Government had taken the lead in investing in a vast programme of public works. The result of these developments had been that the quantum of Turkish imports had increased by 400 per cent between 1945 and 1954, as compared with the pre-war period—and by 200 per cent during the last four years.

41. With regard to the factors tending to limit the expansion of international trade, although the introduction to the *World Economic Report*, and the report entitled *The Quest for Freer Trade* (E/2737) contained useful information on administrative controls and measures for removing them, the Secretariat seemed to have approached the problem from rather too formal and administrative an angle, to the detriment of basic and decisive economic factors. For instance, the *World Economic Report* stressed the effect of the United States recession on international trade, but surely nobody would argue that controls or relaxation of controls had been of decisive importance in that recession.

42. If it was true that the increased capacity of many countries to absorb industrial goods was beneficial to world trade, and that their large-scale investment policy had been a major cause of expansion in world trade, then in seeking to bring about further expansion it was necessary to consider how their import capacity could be still further increased through the maintenance of a high level of investment. It was important in the first place to remember the need for better adjustment in the import policies of the highly industrialized countries. That was a very intricate problem with which he did not propose to deal in detail, though he would point out that it had two aspects. First, as the French representative had observed, industrialized countries should not seek to protect all their agricultural products. However, it was significant that even in those countries where full support of the principle of multilateral trade

was proclaimed, liberalization of the agricultural sector lagged far behind. Secondly, industrialized countries must adapt their import policies in such a manner as to maintain the purchasing power of their natural and traditional customers.

43. He would also stress the importance of expanding medium-term credit facilities, which were now being increasingly provided for the export of capital and investment goods. The development of special institutions for that purpose in the United Kingdom, France, the Federal Republic of Germany, Austria and other countries, as well as the efforts made at a regional level by the Export-Import Bank of the United States, had already been highly beneficial to many countries in the process of economic development. Further progress on those lines was essential.

44. More attention had been given by the Council to this third way of sustaining a high import capacity of the trading partners of industrialized countries; but no progress had been accomplished in stimulating the flow of international capital, which was a key factor in determining the rate of development and achieving higher standards of living. It was regrettable that so little had been done, despite the general agreement on that point and its vital interest for the future prosperity and economic well-being of the whole world.

45. In conclusion, he viewed the general improvement in the world economic situation during 1954 with optimism and saw in it the beginnings of a number of beneficial trends which he was confident would continue. As prosperity increased, the solution of some economic problems might prove easier than expected. With these considerations in mind, his delegation, together with the United Kingdom delegation, had submitted a draft resolution (E/L.676) which he hoped would be examined in detail by the Economic Committee.

46. Mr. COOKE (Argentina) said that the reason why representatives had occasionally been obliged to postpone their participation in the debate, despite the laudable efforts of the President to speed up the discussion on the world economic situation, was that the documents were frequently circulated too late to allow the competent national administrations and government representatives sufficient time to study them with all the attention they deserved. That was the case time and time again—particularly with documents in Spanish, which after all were wanted by nineteen out of the sixty Members of the United Nations. He was not criticizing, but merely making a constructive observation in the hope that in future every effort would be made to improve matters and thus simplify the task of Council members. At the same time he would like to pay a tribute to the Secretary-General for his active interest in the work of the Council.

47. In view of its importance, the *World Economic Report* demanded careful attention by the competent national administrations; and so he personally would confine himself to one or two very general remarks on the problems discussed therein.

48. Outstanding events were taking place throughout the world at the very moment when the Council was discussing the world economic situation—the celebration of the tenth anniversary of the signature of the United

Nations Charter at San Francisco, the impending meeting of the Heads of Government of the Four Powers and the forthcoming opening of the first International Conference on the Peaceful Uses of Atomic Energy—and, while the economic situation was one of the more important potential factors in consolidating peace, it was also extremely sensitive to changes in the international political situation.

49. At the present moment, the international economic situation raised a number of important questions. First of all, the industrialized countries of western Europe and North America were in a very favourable position, and their level of economic activity was extremely high. There was, consequently, a strong expectation that the European economy, now that it had completely recovered from the dislocation following the world war, would consolidate its achievements by a number of fundamental measures, the most important being the return to convertibility, which would have a marked influence on world economy in general. On the other hand, regions with a less highly developed economy continued to be seriously affected by the problems which arose from the unsatisfactory level of their economic activity, both in absolute terms and in comparison with the more advanced countries.

50. The economic evolution of the United States of America since the end of 1953 had been marked by the fact that, contrary to what had happened before, the reduction in her economic activity had had very limited repercussions. That was an encouraging indication that economic evolution today was based on broader foundations than the economy, however powerful, of any particular State.

51. Although that development was very satisfactory, it must not be forgotten that the problems faced by less highly developed regions were still serious. For that reason the Argentine delegation would persist in drawing the Council's attention to the situation and would examine the new phase in the evolution of the world economy in relation to economic development, confident that it was thus putting the problem in its proper perspective.

52. While there was cause for rejoicing in the favourable circumstances which had marked 1954 and which augured well for the future, there was no room for rash optimism and it would be better to make a general assessment of the situation.

53. It was certain that the world economy today did not rest on sufficiently solid foundations either as it stood at present or as it was likely to develop. Even the expansion of the United States economy gave rise to a number of doubts. The buoyancy of the European economy, as he had already mentioned, encouraged the hope that very soon a favourable decision would be taken on the question of convertibility, a decision which would have important results for the world economy as a whole. That situation had been reached partly through the stimulus of the Marshall Plan and partly because the solid cultural traditions and high social, technical and industrial standards of the European countries had facilitated the rapid achievement of satisfactory results.

54. The problem was different in the less highly developed countries, where most of the factors which had

played a positive role in the European economic recovery had a negative effect. The less highly developed countries, with their poorly organized economies, were easily knocked off balance and could not rely, like the European countries, on a tradition of economic power. However, as a result of political and social evolution, there had been during the last few years a change of attitude in the less highly developed countries, which had made great efforts to extend their economic activity in the interests of their own development. That had brought about the revision of some old-established ideas and given rise to various reactions.

55. On the international plane the fundamental factor in a balanced expansion of the world economy was international trade, which to fulfil its purpose must, on the one hand, develop as quickly as possible and, on the other, repose on a fair basis of give and take, thus ensuring real advantages for everybody.

56. What had been the experience in 1954 with regard to the development of international trade?

57. Both the *World Economic Report* and other documents indicated a favourable situation in which international trade had expanded. Nevertheless, that expansion had not been evenly distributed throughout the world; on the contrary, there remained many difficulties and obstacles which restricted the resulting benefits—and in most cases for the less developed countries.

58. If the development of international trade was analysed merely on the basis of figures, the conclusions reached were bound to be far removed from reality. A series of factors, many hardly susceptible of constructive assessment, must be taken into consideration in forming an opinion. In particular, any study of the foreign trade of countries which exported primary commodities should take account of the fact that the volume of their trade was determined by their level of exports and not by the real needs of the countries concerned. Consequently, changes in the demand for such exports were directly reflected in such countries' foreign trade. Whereas any increase in the capacity to import gave rise to an immediate expansion of imports, the adaptation necessitated by a reduction in that capacity was much more difficult and usually resulted in disturbing the balance of payments of the countries concerned. The same fact lent special significance to price levels in trade between countries exporting primary commodities, since in present conditions those levels reflected a trade flow which was restricted by the factors previously referred to.

59. The representative of the Dominican Republic had aptly referred to the problem of restrictions. In point of fact, any restrictive measures that a country in course of development might apply to its foreign trade, in order either to ensure adequate priority for those products which it needed most urgently or to protect its infant industries, would never be reflected in a reduction of the volume of its trade, owing to the fact, previously mentioned, that such measures were always applied under the pressure of needs to be satisfied which greatly exceeded the country's purchasing power. On the other hand, any restriction imposed by more developed countries on their imports from countries in course of development reduced those imports and thereby directly reduced

the volume of trade in corresponding measure. For those reasons, as ECLA had rightly pointed out in its report for the Rio de Janeiro Conference, where trade relations were concerned between industrial countries and economically developing countries, due consideration should be given to such factors in order to establish reciprocity in real terms.

60. Argentina had followed with interest the negotiations which had been proceeding since the end of 1954 under the General Agreement on Tariffs and Trade (GATT) and, although the Argentine Government had observed that economic development problems had been fully discussed, it had the impression that the structural problems of countries in course of development were not sufficiently taken into account in the proposed reforms. In other words, the concept of reciprocity in real terms, to which he had referred, was still not sufficiently taken into account in the reformed structure of GATT.

61. Although Latin America was ideally situated for the expansion of regional trade, the present volume of such trade was infinitesimal and every effort was needed to encourage its expansion. The problem had been stated in concrete terms at the Rio de Janeiro Conference and was now being studied by the regional economic organs; but it was also necessary to state it in the Council. In particular, a careful study should be made of the practical possibilities of introducing a system of regional preferences to assist the expansion of intra-regional trade in Latin America. Measures of that kind, in contributing to the expansion of trade between countries in the region, would not only be no obstacle to trade between the region and other countries in the world but, on the contrary, would be a rationalizing factor that would also help to increase that trade.

62. In Latin America, the greatest attention had been paid to the possibility of promoting the economic integration of the countries of the American continent. A specific example was the action taken by Chile, Ecuador, Paraguay, Bolivia and Argentina in concluding economic union agreements. Document E/2737, *The Quest for Freer Trade*, contained an error in that connexion, since it stated on page 14 that those arrangements had not become effective. The Economic Union Agreement with Bolivia had been signed on 9 September 1954. It contained financial and commercial provisions governing the exchange of commodities and agreed lists of products to a value of \$9 million in both directions, and had later been amended to increase the value of the lists to \$10.1 million for both parties. In February 1954, a trade and payments agreement supplementary to the Economic Union Treaty had been signed with Chile. In December 1953, the Economic Union Treaty had been signed with Ecuador and a trade and payments agreement, signed with that country on 22 August 1953, had been extended; and on 14 August 1953, the Economic Union Treaty had been signed with Paraguay. The last-named treaty included two additional trade and payments clauses on the exchange of goods and lists of products to an estimated value of \$21.5 million on either side.

63. In international trade, Argentina had, as always, been closely following the trend of commodity trade

which, as repeatedly pointed out, was the main source of income of countries in process of development.

64. It had been stated and re-stated that 1954 had been signalized by the marked stability of most commodity markets. However, that judgment was incomplete unless suitably qualified and might lead to wrong conclusions.

65. As the Secretary-General had pointed out, the first fact to be taken into account was that commodity prices had generally remained at very low levels throughout 1954. That applied in particular to agricultural products. The representative of Ecuador had mentioned the case of coffee. Argentina could mention several export products—wheat, fodder crops and linseed oil, to cite only a few. More generally, although no major price fluctuations had been noted during the past year for many commodities, account had to be taken of the low level of those prices, and especially of the fact that complete uncertainty still prevailed as to the future course of markets. The surpluses of certain products, including wheat, though not yet unloaded on the commercial markets, continued to be a depressing factor of major importance, and added to the uncertainty.

66. For those reasons the Argentine delegation attached prime importance to the activities of the international bodies in regard to commodity problems. The increasingly effective work being done by the Food and Agriculture Organization (FAO) in the specific field of agricultural products was noted with satisfaction. The Argentine Government was especially gratified at the launching of the work of the Commission on International Commodity Trade under the Council's aegis.

67. Several speakers, including the Secretary-General, had referred to the international division of labour. What he (Mr. Cooke) would like to stress, however, was that commodity trade was suffering from serious disturbances as a result of encouragement being given in a number of traditionally importing countries to the increased output of many products in uneconomic conditions. Such measures, applied in a whole series of countries by exploiting the economic capacity with which their higher degree of development endowed them, had the inevitable effect of substantially reducing international trade and hence the income of the commodity-exporting countries. An idea of the extent of those effects could be obtained from the figures supplied by the *Financial Times*, which stated that the agricultural subsidies granted by the United Kingdom Government to the tune of £250 million a year would mean a saving to that country of £400 million of imports.

68. He would like to refer also to another question of extreme importance—that of the international commodity agreements. Despite all the efforts made, it had so far only been possible to conclude three agreements, two of which had had a precarious existence, while the third, that of 1955, had encountered great difficulty in obtaining the necessary ratifications in order to come into force. Nevertheless, certain countries insisted on concentrating their efforts on that type of international agreement, while negotiations had been going on within GATT for promoting that policy in the future. Without seeking to interfere or to discourage those efforts, it was however necessary to draw attention

to the meagre results so far obtained and to point out that no changes were in evidence which suggested a more favourable situation in the future, especially when it was remembered that the United States, which until recently had participated in and encouraged that type of negotiation, had latterly adopted a policy of non-participation in any new agreement.

69. For those reasons Argentina considered that the existing agencies such as the Commission on International Commodity Trade and the Committee for Essential Products of FAO should be utilized for the exploration of new methods more in line with the actual possibilities.

70. Special mention should also be made of the Wheat Agreement. That Agreement would expire in 1956, so that the time was drawing near for discussing future action. Argentina was not a party to the Agreement, but was anxious that any future discussion of the wheat problem should be carried out on a wide basis and should be accessible to all interested countries, both producers and consumers. World trade in wheat was a very sensitive index of trade in primary products generally.

71. During a period of readjustment, Argentine trade had followed a favourable course in 1954 as a result of increased national production and despite the unfavourable effects of the fall in the prices of agricultural and livestock products on the international market.

72. The fundamental aim of the Argentine economy was to promote development and balanced integration; Argentina had managed to maintain adequate stability, with the degree of flexibility needed to ensure the continued economic development of the country and the raising of the people's standard of life. However, all efforts made by the national economy were gravely affected by the adverse situation of primary products in world markets.

73. In effect, the balance of payments for 1954 showed a favourable net balance of 351 million pesos, as against 1,771 million pesos for the previous year. That was due to the fact that the total value of exports, in spite of their increased volume, had been 518 million pesos less than in 1953, principally on account of the fall in agricultural prices, whereas imports had increased by 390 million pesos as compared with the year before.

74. Developments so far for 1955 suggested that the balance of payments for the year would be unfavourably affected, mainly by the fall in the level of international prices for Argentina's exports, in comparison with prices for its imports, as well as by the smaller exportable balance of some of those products, where crops had suffered through drought.

75. The essential purpose of the United Nations was to preserve peace and to promote greater international co-operation so as to improve the living conditions of the nations, and it had often been said that one of the most efficient means of attaining those objectives was through the economic and social progress of the nations. Argentina fully shared that point of view, and for that reason her participation in the activities of the United Nations had been concentrated mainly in the economic and social fields.

76. Among the great achievements of the United Nations should be numbered the wide and systematic surveys it had carried out of the economic and social problems of the world and the information it had distributed regarding those problems. Although the problems had been studied and analysed before, never, as in the last ten years, had such balanced, detailed and reliable information been available as that provided by the United Nations and its specialized agencies. Beginning with the periodical analysis of the world economic situation, followed by that of the social situation, and continuing with the study of the multiple problems of stability and economic development, world trade and social well-being in their innumerable aspects, the problems of full employment, the planning and financing of economic development, the problems of food supplies, work, education and health, the utilization of natural resources, etc., the United Nations had completed a wide survey of the problems and the possible remedies to be employed in their solution. That knowledge had served to favour the development of international co-operation in promoting economic and social progress. The United Nations Children's Fund (UNICEF) and the Technical Assistance Programmes were the most important practical cases of a very valuable form of international co-operation.

77. The results were equally important in many other spheres: in the financing of economic development, for example, the time was approaching when the International Finance Corporation and the Special United Nations Fund for Economic Development would begin work. In the sphere of private capital, it was obvious that long discussions had ended in more and more favourable conditions which would very probably lead in the near future to an increasing international movement of capital. It had been rightly said that possibilities for action in the economic sphere would always be limited by international political developments. The fact was that at the end of ten years there had been progress which, although modest, was significant because it proved the existence of a constant effort to co-operate.

78. Mr. BOERMA (Food and Agriculture Organization of the United Nations) said that the Secretary-General's warning that the progress in world economic development should not be exaggerated applied also to food and agriculture. Despite the raising of the low output levels of the immediate post-war period, the world food position still showed a picture of unequal rates of progress among different regions and wide disparities in consumption standards. For instance, *per capita* consumption of food in the Far East and Latin America was still below pre-war levels. At the same time in some areas stocks of certain agricultural commodities had continued to increase in 1954, with consequent accumulations which were out of proportion to normal domestic use and export needs. Measures to reduce production were beginning to be effective, but there was no certainty that stock problems would become less acute in the near future.

79. It was a matter for concern that the decrease in the pressure of surplus supplies had been due rather to influences on the supply side than to expanded consumption. Recognition of the need for raising consumption levels was a corner-stone of the policies of the

United Nations and the specialized agencies. It was only by raising the standard of living of the peoples concerned—which depended on the degree of success of the combined efforts of Governments towards further economic development—that the poverty of the great masses of population in those parts of the world where consumption levels were low could be eliminated.

80. The need for raising consumption levels was the basis of FAO's work and had been emphasized in the principles of surplus disposal recommended in its report, *Disposal of Agricultural Surpluses* (Commodity Policy Studies No. 5), which had been formally accepted by thirty-four States Members of the United Nations. That code of international behaviour stressed the importance of finding constructive new methods for channelling existing surpluses into generally expanded consumption, particularly through the utilization of supplies available on special terms in aid of economic development in underdeveloped countries. In that work, survey missions in potential, recipient countries—such as a pilot survey recently undertaken in India—played an important part.

81. Although the need for solving the problem of the disposal of existing surplus stocks was obvious, the more basic remedies must be looked for in longer term measures for remedying the imbalances of which surpluses were only the symptom. FAO was therefore arranging for regular inter-governmental consultation, both on a regional and on a world-wide basis, with a view to the harmonization of patterns of agricultural consumption and trade. Such consultations on what was termed "selective expansion of agricultural production and consumption" had been, or would be, held in the Far East, in the Middle East and in Latin America.

82. International prices for agricultural products, although not subject to the violent fluctuations of the Korean War period, had nevertheless shown some divergence and in recent months there had been signs of weakness. One of the major factors influencing price levels was the widespread network of national price support programmes, and as compared with the 'thirties, the direct effects of instability on world markets had to some extent been cushioned by such national action. The cost of that advantage, however, had been a heavy one in terms of market rigidities and obstacles to trade; and there was still room for improved co-ordination of national policies and for international stabilizing measures.

83. In that connexion, FAO had recently been concerned with the intergovernmental study of possible stabilization measures for olive oil and rice. With regard to the former, a special working party of the FAO Committee on Commodity Problems had been in action; and, in the case of the latter, the recently published report, *The Stabilization of the International Trade in Rice* (Commodity Policy Studies No. 7), was being studied by the Governments concerned. As had been pointed out by the Executive Secretary of ECAFE, rice was a most important commodity in the export trade of certain countries in Asia. Indeed, in recent years, statistics showed that rice was the most valuable of all primary products, surpassing in that respect even coal, crude petroleum and pig iron. Moreover, more than half the world's population depended on rice, both as its main foodstuff and as its chief source of livelihood. Any success in stabilizing rice

prices through international co-operation, therefore, would be a major achievement.

84. Although the development of the world's agricultural resources, particularly in the less developed countries, was of major importance, it should never be regarded as an aim in itself, but should form part of an over-all national programme of economic progress. It was for that reason that FAO was vitally interested in the work of the Economic and Social Council and the regional Economic Commissions, with whose endeavours it would do its utmost to co-operate.

85. Mr. HAMMARSKJOLD (Secretary-General) said that at the present stage in the discussion it would be appropriate for him to make some comments. The debate had centred on three main issues, the recent achievements of world economy, the problems that remained to be solved, and the methods of solving them. He felt that it would be most useful if the Council could in the future concentrate on the third issue and discuss questions of policy on a common basis of agreement as to facts on which decisions had to be based.

86. General satisfaction had been expressed with the growing economic strength of the world, but most members appeared to share his view that the scale of the progress achieved should not be exaggerated. Experience suggested that a satisfactory equilibrium of the world economy would not be automatically secured, and there were at present several unsolved problems of great importance. First, in spite of some improvement in the reserve position of the non-dollar world, the world dollar shortage had still not been overcome. Secondly, underdeveloped countries had not shared in the general increase in prosperity and improvement in standards of living. The discrepancy between their poverty and conditions in the rest of the world had, in fact, been widened. Finally, severe fluctuations in the prices of several primary commodities had been damaging to the economies based on their production and export. The resistance of the rest of the world to the United States recession during the second half of 1953 and the early months of 1954 was an encouragement; but it must be tempered by recognition that the response had depended to an unknown extent on factors which might be transitory and accidental.

87. In the light of those considerations the appeal which had been made for gradualism in the achievement of full multilateralism and convertibility was well justified. In present world circumstances the most rapid progress would probably be achieved by finding solutions at first on a regional basis—provided that they did not injure economies outside any particular region and were fitted into a universal framework. Considerable advances had already been made on those lines, for example, in western Europe.

88. In under-developed countries some degree of continued protection was called for, and some means must be found of augmenting step by step the flow of foreign capital into such areas, whose economic development was still in the main being hampered by the lack of external finance, together with fluctuations in primary commodity prices. During the discussion the hope had been expressed—a hope strongly shared by himself, in view also

of the direct concern of the United Nations in disarmament—that improvements in political relations might make the reduction in armament expenditure possible and release resources for foreign investment in underdeveloped areas.

89. It was desirable that the debate in the Council on the world economic situation should develop into a true discussion based on give and take. The Secretariat's responsibility in that respect was very great—because much would depend on the character of the material it provided. He was the more alive to that responsibility because of his firm conviction that the Council should concern itself more with policy than with economic facts.

90. It had been said that the *World Economic Report* should be more up to date and include at least a brief summary of events in the current year; that parts I and II should not be separated, and that domestic developments inside countries and their international relations should be discussed together—as the two were interrelated; and that central problems should be singled out. From a global point of view such a report would be particularly helpful to Governments—and, of course, to the Council. He fully agreed with the observations and criticisms thus made during the discussion. Indeed, he and his staff had already carefully considered the form of future world economic reports. He hoped that in 1956 the *Report* would in great measure correspond to the wishes expressed.

91. As far as information about the current year was concerned, it would be understood that the preparation of a document of such importance as the *Report*, if it was to be of the proper standard, had to be undertaken some months before the Council's session; and any later information could not be analysed in the same manner as the earlier material. Any important events which took place after the *Report* had been drafted would be covered, if no other way were feasible, in his own introductory statement.

92. The Secretariat also hoped to avail itself of the expert knowledge provided by different centres of research and study so that the *Report* would more and more reflect the trends in world discussion of economic problems.

93. Members' observations had been duly noted. Any specific point could, of course, be discussed directly with the Secretariat. He would not elaborate further on any criticism of details, but would seek rather to use them as a springboard for launching more positive observations.

94. With regard to the points raised about the first paragraph on page 12 of the *World Economic Report 1953-1954*, he said that what had been described as justifying some degree of pessimism had been solely the fact that dollar reserves and holdings had not increased more than the special expenditures abroad by the United States Government. At the end of that criticized paragraph it had been made clear that "a considerable part of the demand for dollars has been supplied in ways which do not reflect international equilibrium and cannot be counted on to continue". The *Report* reflected the opinion that the supply of and demand for dollars should reflect international equilibrium, including capital move-

ments which could be counted on to continue. The reason for pessimism was that capital movements at the present time were largely determined by factors outside the strictly economic field—in other words by political considerations which necessarily made them a more or less extraneous element to a balanced world economy.

95. It had also been suggested that the *Report* dealt rather meagrely with the question of world expansion and investment. He would like to say by way of explanation, though not in defence of the obviously one-sided character of the supplementary report, *The Quest for Freer Trade* (E/2737), that its origin had been an agenda item entitled "Removal of obstacles to international trade and means of developing international economic relations". The Council under that item had been specially concerned with the remaining restrictions—designated by some as artificial—on world trade. As was frequently the case, that starting point had partly coloured the presentation.

96. On the other hand, the theme of the introduction to the *World Economic Report* was the importance of balanced economic growth as a means of achieving freer trade. It was specifically stated that what was needed for freer trade was an expanding world economy comprising all countries, with the highest rate of growth in the areas where levels of production and consumption were lowest. It was further stated: "This discussion of balanced growth cannot be pursued further in the present report, but is a subject that deserves extensive examination." The Secretariat planned in the next report to follow up the present one with a closer study of investment expansion and "balanced growth".

97. In that context special reference had been made to the importance of freedom of movement of capital. Indeed the lack of it was one of the great obstacles to world economic expansion. However, it should be recognized that the obstacles to capital movements were largely linked with the circumstances which were reflected in the present restrictions on trade and were not a separate phenomenon. He therefore felt that it had been natural, particularly in view of the historic background to the Council's discussions, to approach the general problem of economic growth and of the expansion of investments from the trade angle.

98. Closely related was the suggestion that the Secretariat seemed to have been so concerned with the removal of obstacles as to under-estimate the valid reasons for which countries might apply various types of protectionist measures. He did not believe that in reality there was any disagreement between its critics and the Secretariat itself. There was a special section at the beginning of the introduction to the *Report* emphasizing the legitimate national objectives of trade restrictions and discussing under-developed countries in detail. The problem had been defined as that of taking practical steps which would not undermine the legitimate national objectives of trade restrictions. In the circumstances there should be a general awareness of the need for what had been described as "gradualism". It was a question not of the immediate abolition of any particular restriction, but of a progressive adjustment towards the ideal of the greatest possible freedom of trade, with proper safeguards for the

protection of legitimate national interests in expansion and in other respects.

99. The reasons for measures of protection which were at least temporary obstacles to trade were very fully understood—perhaps too well—and there was no need to elaborate them; whereas it seemed necessary to do so about the arguments for freer trade. There seemed to be some law of gravitation pulling in the direction of protectionism which had to be counteracted.

100. It had been said that the statements in the *Report* about possible abuses of protective measures might be misunderstood. Briefly commenting on that point, he said that the ten post-war years provided examples of abuses most of which arose not in connexion with the introduction of the measure, but when it had been in operation for too long and had come to form part of a fixed pattern instead of being a transitional measure to carry over a national or the international economy through a difficult period. That was the reason for the warning sounded in the *Report* and also for the need for very careful national planning so that steps could be taken as soon as measures of protection began to be dangerous. Few countries in the world could afford to maintain them at the stage when they tended to lead to an uneconomical use of resources. Such planning was not only valuable, but just as essential from the national as from the international point of view.

101. One of the main themes of the discussion had been stability versus growth, and it also constituted one of the underlying problems dealt with in the *Report*. Some speakers had manifested a fear, and it was nothing more than a fear, that in the natural concern with stability—a concern which the Secretariat, representing as it did, the international point of view, was bound to reflect in its work—the importance of growth might have been overlooked. Again, he felt there was no real difference of opinion. The Secretariat believed that both stability and growth were essential and could be very well combined if policy were conducted in a responsible manner. In fact, the terms used in the debate such as "dynamic equilibrium" and "stable growth" indicated that it was recognized as quite possible to reconcile the two conceptions. Governments were facing here mainly a question of method. It should not be forgotten that in fact instability might threaten growth. Thus it was not only a matter of reconciling the two, but also of defending stability in the very interests of growth, which was the primary concern of all. Otherwise, efforts towards expansion might be self-defeating.

102. After a most rich debate his observations were necessarily a little diffuse and he therefore asked for the Council's indulgence. In conclusion, he thanked all members for their comments, which had been most helpful to the Secretariat in its effort to provide Member States with documents of an increasingly high quality. The comments had drawn attention both to weaknesses in the presentation of facts and to arguments. On the other hand, the area of agreement as to the analysis of the problems facing the world was very wide indeed.

103. The PRESIDENT thanked the Secretary-General for his illuminating statement.

The meeting rose at 6.20 p.m.