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*President*: Mr. J. MICHALOWSKI (Poland).

*Present*:

Representatives of the following States: Australia, Brazil, Colombia, Denmark, El Salvador, Ethiopia, France, India, Italy, Japan, Jordan, Poland, Senegal, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Yugoslavia.

Observers for the following Member States: Argentina, Austria, Belgium, Bulgaria, Canada, Central African Republic, Cuba, Czechoslovakia, Dominican Republic, Greece, Hungary, Indonesia, Iraq, Ireland, Israel, Mali, Netherlands, New Zealand, Romania, Sweden.

Observers for the following non-member States: Federal Republic of Germany, Holy See, Republic of Korea, Switzerland.

Representatives of the following specialized agencies: International Labour Organisation, Food and Agriculture Organization of the United Nations, United Nations Educational, Scientific and Cultural Organization, International Monetary Fund, Interim Commission for the International Trade Organization.

## AGENDA ITEM 2

World economic trends (E/3624 and Add.1-6, E/3628, E/3629, E/3631 and Add.1-3, E/3635, E/3652, E/3659 and Add.1 and 2, E/3661, E/3668; E/ECE/452)

GENERAL DEBATE (*continued*)

1. Mr. KLUTZNICK (United States of America) said that an increasing rate of industrial growth had a vital role to play in the process of accelerating economic development.

2. The *World Economic Survey, 1961* (E/3624 and Add.1-6), presented, in Part I, a large body of statistical material and drew important practical conclusions, based on experience, which should be helpful to countries in planning their industrial development. Moreover, it recognized that the economic development process was complex and not capable of explanation by a simple theory of economic history.

3. The goal of economic development was the welfare and dignity of all mankind, and to that end, steps should

be taken to foster economic and social institutions which gave human beings as much freedom of choice as possible and, while promoting their material welfare, would also provide adequate educational opportunities and sufficient leisure time for recreational and cultural activities. Moreover the attainment of higher rates of economic growth should not be sought through the establishment of political, economic and social systems which militated against their achievement. Nor should present generations of human beings be required, for the questionable benefit to be derived by generations yet unborn, to reduce too much their present low consumption levels for the purpose of creating the margin of investment which might be necessary if economic growth were forced to proceed at too rapid a rate.

4. The fact that economic development implied a balance between industry and agriculture did not mean that there was any single economic pattern which all developing countries should copy. Wise country planning for industrial growth must in general be based on the existing but not unalterable resource pattern of the country concerned and economic, political and social institutions. Crucial in that respect, particularly in the early stages of industrial development, should be the consideration of a country's natural resources and its pool of skilled manpower. Both skills and physical resources could be imported. However, since the process of economic growth would inevitably increase the strain on the foreign exchange resources of the developing countries, such resources should be husbanded as much as possible.

5. It was sometimes forgotten that the industrial revolution in the west had occurred in extremely favourable circumstances; the stock of capital resulting from commercial operations had been one very important factor, and the spirit of entrepreneurship born of commercial experience another. The development of science and inventions was also important. Moreover, political and economic liberalism encouraged risk taking. The industrial revolution had, in short, been an evolutionary process based on favourable political, economic and social institutions and facilities. In many of the emerging economies those favourable circumstances were absent. Many of the developing countries were obliged to create institutions and attitudes favourable to growth by an act of national will and commitment. The Latin American countries were showing the way by their common agreement to institute the economic and social reforms necessary to promote economic growth and to spread its benefits to all elements of their populations.

6. His country had always recognized that capital alone was not enough in the developing countries, and had therefore stressed technical assistance in its bilateral pro-

grammes and consistently supported multilateral efforts of the same general nature. But only recently had it come to recognize that the advantages of aid could be dissipated if the recipient country had a social system which was inadequate for a modern industrialized society and which channelled the benefits of economic growth to the few rather than the many.

7. The United States had found that agricultural and land reform was a necessary precondition to the improvement of agriculture in the developing countries. Yet in that field too, such improvement could not be achieved by means of capital alone. Most economic planners recognized that it was a mistake, in the early years of economic development planning, to let agriculture take care of itself, and to concentrate on planning for investment in industry, and especially heavy industry. The majority of countries took a more balanced view of development, and now recognized that there were many roads to economic growth. It was very often desirable to devote attention first to light industry, producing consumer goods for the home market in substitution for products which would otherwise be imported. The statistical evidence presented in the *Survey* seemed to support the view that countries in the earlier stages of development had learnt that lesson. The mature thinking of the Asian countries at the eighteenth session of ECAFE held at Tokyo in March 1962 had been reflected by their willingness to emphasize the real possibilities for growth in agriculture, light industry and in small-scale industry. The *Survey* reflected a similar balanced focus.

8. Although many industries were necessarily large-scale, it was a fallacy to argue that all industry must be on a large scale; in Denmark, for example, 62 per cent of all industrial employment was accounted for by establishments employing less than 50 persons. Moreover, it was often the small plant which was of key importance in the development of an industrial complex within which industries tended to prosper. There was also evidence that in all the industrialized countries, with the possible exception of the special case of Japan, small plants might be just as efficient as large ones. In short, all available evidence seemed to support the conclusion of the Secretariat that industrial growth consisted as much in the multiplication of small factories as in the formation of large ones.

9. The greatest possibilities for mutually profitable trade were found in countries with fairly diversified economies. Moreover, it was in those countries that international specialization promoted the greatest economic progress as was demonstrated by the effects of progressively liberalized trade among the diversified private enterprise nations. However, specialization was important to the economic growth, and especially the industrialization, of the developing countries. Export earnings were, in a sense, the key to the whole problem of economic growth, and without them, there was little hope of starting the kind of chain reaction which could result in sustained growth.

10. Economic planning, properly conceived, could be of great help in ensuring a better allocation of resources for industrialization. That process, however, was not automatic, since all that sound planning could do was to

throw light on the choice open to entrepreneurs and others, and to ensure that decisions were based upon information. The limitations of central planning had become clear even in the countries practising that system, in which numerous references were made to decentralization of planning, and reports on the effectiveness of decentralization under the central planning concept were eagerly awaited.

11. The experience of his country suggested that the role of private enterprise was of key importance in allocating resources, and transferring and developing entrepreneurial skills. It was untrue that reliance on private enterprise and the appropriate use of planning were mutually exclusive, since as much planning took place in the United States as in any country. But it was not only the government, but business and industry too that planned freely and to the full extent. Moreover, other countries, including some whose leaders had expressed a socialist view of life, were finding that the private sectors of their economies developed more rapidly and were more effective in satisfying human wants than their public sectors. There was therefore an increasing tendency in those countries, in their more recent planning documents, to give due recognition to the place which private enterprise could and must play.

12. The record of the past ten years was one from which a moderate degree of satisfaction and encouragement could be derived. However, most of the developing countries were still much too heavily dependent upon agricultural and mineral production; their industrial sectors had to grow even more rapidly if they were to sight their goal of a modern diversified economy.

13. Monetary and financial conditions had improved considerably in many countries; that meant that trade, savings and investments could proceed in a much more orderly way than had been possible a decade or so previously. It also meant a reduction in the personal inequities which inevitably accompanied monetary confusion. A further source of satisfaction was the increasing degree to which countries were willing to work together to their mutual economic advantage. Such co-operation was conspicuous in the case of GATT, IMF and IBRD. Moreover, the various organizations and programmes, formal and informal, for transferring the "know-how" of economic advancement between countries, were operating at a higher rate than ever before.

14. With regard to developments during the preceding year, it was not surprising that the pace of economic expansion had slackened somewhat in western Europe and Japan, in view of the very rapid advances made during the previous few years. Experience had shown that rapidly advancing economies required a pause from time to time to consolidate their gains and prepare for new upward movements. The underlying possibilities for further expansion continued to exist in Japan and particularly in western Europe. In all economies, whether free enterprise or centrally planned, lack of balance or an uneven curve upward might be as much a stimulant to future growth as an apparent balance or constant upward curve. The key problem was to make sure of the goal and to keep pace with the needs of the hour. No amount of advance planning would make it possible to foresee the

variables which inevitably arose in any given period. But that did not detract from the importance of the attempts being made in all industrial countries to smooth out the ups and downs in business activity.

15. One of the most important goals of economic planning in the United States, as in all other industrialized countries, was to avoid the kinds of depressions which had occurred with distressing frequency prior to the Second World War. The economic recovery in the United States which had started in February 1961 had continued, and a steady expansion of output and employment, accompanied by general price stability, had been achieved. Underlying that dominant trend was the continuing long-term increase in labour productivity and in the coverage of social welfare programmes. The principal challenge to the United States economy on the domestic front was continued expansion to full production levels and the achievement of a stable balance at those levels.

16. Since February 1961 important gains had been recorded by all important economic indicators. The unemployment rate had dropped from 6.9 per cent in the first quarter of 1961 to 5.5 per cent in June 1962. The strongest element in the recovery had been and continued to be consumer expenditures. Consumer liquidity had been greatly increased and would allow consumer purchases to be maintained for a time even if the current rate of expansion were reduced or arrested. Business investment had expanded less rapidly than had been initially expected, and excess capacity was still fairly widespread. Residential construction had expanded as a result of growing incomes and easy mortgage credit. Federal Government expenditures had also expanded during the recovery period, owing partially to efforts to strengthen the economy but largely to the expansion of existing or new permanent programmes. Monetary and credit conditions continued to be strongly favourable to expansion, and wholesale prices had remained steady since 1958.

17. The long-term outlook for the United States economy was most encouraging. With few exceptions, supplies of natural resources and raw materials were relatively abundant; its productive potential ensured that resource deficits could be met through foreign trade and its increasing population provided an ever-growing market for the products of the world and an ever-expanding reservoir of productive skills and abilities. Through the expansion of educational, health and welfare programmes a steady reduction was being achieved in the proportion of the population that failed to contribute to the expansion of the United States economy and to share in the fruits of that expansion.

18. The New York Stock Exchange had been a focus of national and international economic attention in recent weeks; the high levels of equity prices reached in the winter of 1961-62 had undoubtedly been based upon expectations of continued inflation, as well as exaggerated views of the earning possibilities, over the near term, of some companies in the so-called growth industries. At the peak of the market, dividend yields had been considerably below interest rates on bonds, and earnings on stocks had been only slightly above bond yields. However, the general realization that inflation

had been brought under control and that the earnings of the growth industries were not growing at the expected rate had inevitably produced an adjustment of equity prices. Nevertheless, no systematic relation between consumer buying and stock prices could be found in the post-war period, nor could any reliable connexion be made between stock prices and the general level of economic activity. It therefore seemed wisest to interpret the stock market decline as the adjustment of inflationary expectations to non-inflationary reality.

19. Many problems still faced the United States economy. The Government and the people were not satisfied with the rate of economic growth, and the economy had not been expanding rapidly enough to achieve the goal of full employment, although each month seemed to record new peaks in the numbers employed. Such unemployment was wasteful and involved economic and social costs which affected the individuals concerned, their families, and society as a whole. The President had proposed changes in the tax structure which, it was believed, would increase the rate of business investment. The administration had also taken steps to modernize depreciation allowances with the same purpose in view. Moreover, a lively economic debate was taking place on the desirability of a reduction in taxes; the position of the Government continued to be one of watchful waiting.

20. Open public discussion between labour, management and the Government concerning the best road to continued economic strength and progress epitomized the true democratic process. The real problem was to make sure enough wealth was generated, not just for the United States but also to help meet the needs of growing populations abroad. With 6 per cent of the world's population, the United States produced nearly 40 per cent of the world's output. The economic strength of the United States was important to the prosperity of the world in general, and its recent economic recovery had been accompanied by a substantial increase in imports, which were running at an annual rate of some \$16,000 million.

21. The strength of the United States also enabled it to continue its contributions to the economic development of the less developed countries through private investment and through bilateral aid programmes, as well as by contributions to multilateral programmes of financial aid and technical assistance. The trade policy projected in the President's request for a trade expansion act in 1962 revealed a determination to use the economic strength of the United States for the benefit of all in a massive attempt to establish in the major producing and consuming areas of western Europe and North America, a low tariff regime as free as possible of barriers to trade. The President's proposal had been approved by the House of Representatives without substantial change and was now being considered in the Senate.

22. Mr. WALKER (Australia) recalled that the annual United Nations *World Economic Survey* was the successor to a series of similar surveys produced by the Secretariat of the League of Nations, the first of which bore the different but significant title "The Course and Phases of the World Economic Depression". The dominant problem of economic policy in the 1930s had been to

promote recovery from the depression, which had shaken the economic systems of many countries to their foundations, and to prevent the repetition of a similar economic catastrophe.

23. The *Surveys* published by the United Nations undoubtedly reflected an important change in the world economic scene in that they were no longer concerned to the same extent to take the pulse of the current economic situation. The world was no longer haunted by the fear of recurring major depressions. There was still the problem of recurring recessions but that change in terminology was not purely a matter of words. The process by which an economic recession could perpetuate itself and degenerate into a serious depression was now well understood and governments had both knowledge and experience of measures to prevent the cumulative growth of unemployment. Moreover, there was a firm tradition of mutual international assistance supported by such institutions as IMF.

24. The centre of interest had shifted from the problem of short-period fluctuations to that of continuous economic growth. For the less developed countries, the immediate problem was to bring about the necessary structural changes that would set in train the process of self-sustaining economic growth, such as that which the industrialized countries had known over a very extended period. In the major industrialized countries, however, the maintenance of steady economic growth had also emerged as a prime object of government policy and as the objective of private enterprise.

25. The basic reason for that interest in the problem of growth was that only through economic growth could countries support increasing populations and provide increases in real incomes which were in turn the sources of higher levels of living. Moreover, continuous growth made less difficult the solution of other problems. In that connexion he would draw attention to the statement in the introduction to the *Survey* (E/3624) that "recent economic events in western Europe offer striking testimony to the fact that problems of adjustment to changing circumstances can be overcome with relative ease so long as they are encountered in conditions of sustained economic growth".

26. With regard to the conditions affecting growth in the developed private enterprise economies, the introduction to the *Survey* contained a particularly striking passage which stressed that "the policies of greatest significance for the industrial growth in the developed private enterprise economies have not been measures designed to alter the structure of industrial production or to accelerate growth in specific industries" but that it had been rather "those monetary and fiscal policies of a general nature which have affected the rate of growth in aggregate demand". He would draw particular attention to the statements contained in the remainder of that paragraph and the following paragraph.

27. In the less developed countries, the problem of maintaining growth was much more complicated because it required, in addition to the maintenance of a strong effective demand, far-reaching structural economic changes and, very often, important social changes as well. As the representative of India had pointed out at

the 1226th meeting the economic growth of an under-developed country was not merely a matter of obtaining better results but had to be accompanied by changes in social and economic institutions to obtain wider and deeper social values.

28. In most countries, foreign trade played an important role in growth. In the developing countries, domestic capital formation needed to be supplemented by the importation of foreign capital goods and the export trade of those countries was vitally important as a source of foreign exchange with which to pay for the imports of capital goods. But in developing and highly developed countries alike, export trade played a further role in generating incomes and purchasing power within the country. Consequently, a healthy export trade helped to maintain domestic conditions necessary for continued growth.

29. The reliance upon international trade to supply some of the essential requirements for economic growth brought with it special balance-of-payments problems. Adverse movements in a country's balance of payments could reduce the level of effective demand within the country and upset expectations of economic growth. At the same time, such an adverse movement often made it necessary to cut down imports of goods needed for development.

30. Those considerations showed the great importance for the maintenance of economic growth both of measures to prevent undue fluctuations in commodity prices, which were often at the root of balance-of-payments problems, and of international arrangements to tide countries over temporary difficulties.

31. More recently, attention had been given to another factor that could contribute to the avoidance of balance-of-payments difficulties. Any deficit in the balance of payments in one country had as its counterpart a surplus in the balance of payments of other countries. The danger that the maintenance by one country of domestic conditions favourable to rapid economic growth would lead that country into balance-of-payments difficulties would be diminished if its trading partners were also following a policy of rapid growth. Hence the importance of concerted growth policies, such as those declared by the OECD countries in 1961 and referred to at the 1226th meeting by the Under-Secretary for Economic and Social Affairs.

32. There were four important structural changes in the world economy. The first was the increase since the Second World War in the number of centrally-planned economies, which had removed a substantial sector of the economic life of the world from the system of inter-related markets.

33. The world economy had for long been mainly a private enterprise economy, but that term no longer perfectly described the nature of the national economies that made up the world economy outside the planned economies. In most countries, the system was a mixed one, with an important nationalized sector and a considerable degree of government control over the private enterprise sector. There remained, however, a clear division between those mixed economies and the fully planned economies; in fact, they constituted two eco-

economic worlds which often confronted similar fundamental economic problems but which operated on different principles.

34. There was of course a certain amount of trade between the two economic worlds but there were great difficulties in the development of a closer association between them not only because they represented rival political and economic systems but because they conducted trade on different principles. The trading system of the mixed private enterprise economies was a multilateral trading system. The GATT, the Contracting Parties to which accounted for 78 per cent of world trade — 83 per cent if associated countries were taken into account — envisaged a system which would offer its members free access to one another's markets, subject only to the customs tariff through the most-favoured-nation rule. There were exceptions to that general rule such as protection against dumping and against subsidized exports, but they were carefully hedged around with safeguards. The GATT system could be summarized as comprising three principles: first, that trade should be conducted on the basis of non-discrimination; second, that domestic industries should be protected exclusively through the customs tariff and, third, that there should be consultation between contracting parties aimed at avoiding damage to the trading interests of all contracting parties. He was, of course, describing the GATT rules and not the manner in which they were, or were not, fully observed, particularly regarding access of primary products to the markets of certain highly industrialized countries.

35. That multilateral system was clearly very different from the trading system of the centrally planned economies. Import policy in those economies was part of a general plan, which allocated to the import sector only that part of consumption which could not be met by planned domestic production. There was therefore no possibility of foreign exporters competing on equal terms with domestic producers in the centrally planned economies on the basis of quality and price. Moreover, through the Council for Mutual Economic Aid (CMEA), there was a certain co-ordination between the centrally planned economies which involved agreements for trade exchanges. The sector of trade which could be left open to foreign exporters, therefore, tended to be residual to domestic production and imports under the aegis of CMEA. Even in that residual sector, however, it seemed that the volume of trade was not subject to the play of market forces so much as to administrative and governmental decisions, many of which might appear arbitrary to outside suppliers. He was not criticizing the system, but merely describing the existing position.

36. The prices of exports from centrally planned economies could also present a problem for other countries. The normal elements of price formation in a planned economy were difficult for foreigners to establish and it was therefore difficult to apply to exports from centrally planned economies the normal anti-dumping provisions of legislation in the free-enterprise countries, which required the establishment of a recognizable cost of production.

37. Trade between the two economic worlds was cur-

rently largely carried out through bilateral agreements. No very great difficulties had resulted because the trade involved had been somewhat marginal in volume. That position could change if a greatly increased share of world trade came to be enjoyed by the centrally planned economies; if and when that problem came to be faced, solutions should not be sought in a departure from the existing system of the greater part of world trade with its emphasis upon multilateral non-discrimination.

38. The second important development had been regional integration, which was well advanced in western Europe and in eastern Europe and was getting under way in Latin America. Regional integration in western Europe had already brought about appreciable economic benefits and economic co-operation of that type was likely to be beneficial elsewhere.

39. Regional integration normally began with the granting of what was, in effect, a mutually preferential system among the members and if that integration were carried on in an inward-looking spirit it could result in great economic damage to outside countries and in the ultimate breakdown of progress within the integrated group itself. Australia, a country which did not readily fall into any possible regional grouping, attached great importance to the assurances by spokesmen of existing groupings that they would follow outward-looking policies and that there would be opportunities for increased trade with the outside world.

40. The third development had been the effects of the national agricultural policies — particularly in the highly industrialized countries — on international trade and the resulting difficulties for many primary producing countries. Agriculture in many countries had become insulated from the world economy and powerful social and political forces had become involved in the situation and were determined to defend it.

41. The trend to agricultural protectionism had a profound effect on the volume of international trade in primary products. The problem could not be evaded indefinitely. Among other considerations, the world could ill afford to discourage efficient low-cost producers at a time of explosive population growth.

42. The growth of regional trading groups and agricultural protection by industrialized countries had had the important consequence of reducing the size of the so-called world market on which the agricultural exporters attempted to sell their produce. That market accounted, in most of the bulk commodities, for only a very small part of world production: 5 per cent for feed grains, 10 per cent for beef or butter, 12 per cent for sugar and 15 per cent for wheat. The so-called world price of many agricultural products was accordingly depressed and had increasingly less relationship either to the cost of production in efficient primary producing countries or to the prices actually paid to the agricultural producers in the industrialized countries through various protectionist devices.

43. The fourth important change in the world economy had been the drive for industrialization in the developing countries, a process to which the Survey devoted a thorough study. One of the most remarkable features of the



*Survey* was the presentation as inevitable of the trend for the economies of different countries to move towards a similar structure.

44. The ultimate aim of the under-developed countries should be to constitute diversified economies similar to those existing in the developed countries. The acceptance of that idea, as expressed in the *Survey*, presented a remarkable contrast with the economic thinking prior to the Second World War when it had been thought that some countries should concentrate on agricultural production and others on industrial production and that regional specialization could lift levels of income effectively through foreign trade. Another consideration not emphasized in the *Survey* was that, without industrialization and diversification of the economy, the developing countries would lack the educational experience of working in industry and the stimulus to enterprise of a wide range of economic opportunities.

45. That drive towards industrialization would be bound to have far-reaching consequences for international trade. In that connexion, however, it was interesting to observe that industrial progress did not lead to the withering away of trade; in fact, a thriving international trade existed between the major industrialized countries as a result of a process of refined specialization.

46. Lastly, he would reserve his delegation's right to revert to such questions as proposals for a world trade conference, to which he had not referred in his remarks.

47. Mr. GUZINA (Yugoslavia), commending the authors of the *World Economic Survey* and of the regional surveys, said it was a very good practice for the *Survey* to analyse one topical subject on a long-term basis each year; and the *Survey* for 1961 ably analysed industrial development during the 1950s.

48. There were three very significant fields in which decisive progress had been made in economic thinking during the past decade; that progress was not only reflected in United Nations documents: those documents had to a considerable extent contributed to it.

49. The first of those salient features of economic thinking was its predominant concern with economic growth. Economic dynamics in the form of analyses of longer-term trends were superseding the study of factors of static equilibrium and short-term cycles which had been the central interest of western economists almost up to 1939. In that long-term analysis, the tempo of development had become the basic criterion of economic efficiency.

50. That advance in economic thinking was of vital importance for the less developed countries. Economic growth, which paved the way for the modernization of other sectors of social life, was for those countries a prerequisite for the full assertion of their political independence. In the contemporary theory of economic growth, the development of the under-developed countries had become a particularly promising field of study, to which chapter I of the *Survey* (E/3624/Add.1) devoted to the results of industrial development in those countries constituted a valuable contribution.

51. It was interesting to note that economists were increasingly realizing not only the necessity of a high rate of growth for the developing countries, but also the possibility of attaining it, provided the necessary steps were taken within those countries and organized international assistance was available. The discussions in the Council (1214th-1219th meetings) on the Development Decade constituted the latest indication that those views were prevailing: it had been pointed out that the Decade's objective of a 5 per cent rate of growth in the national income of the developing countries represented a minimum.

52. The second field in which progress had been made in economic thinking was that of planning economic and social development. The need for such planning had come to be generally recognized. The ideas of those who in the past had denied that a planned economy could function efficiently had been left far behind. Planning had strongly asserted itself in practice. At the same time, the concept of a planned economy had been better defined, with certain relaxations in the rigidity of centralism in planning and with recognition of the principle of free choice by the consumer. The great argument about the efficiency of a planned economy carried on by western economists during the 1920s and 1930s had been definitely settled in favour of planning.

53. Planning should at present be applied, and to some extent adapted, to different institutional frameworks and to different stages of economic and social development. In all cases, however, planning should comprise, in addition to a precise methodology, measures of implementation. To an ever-increasing extent planning required appropriate institutional adaptations in the economy, without which it would remain purely theoretical.

54. The third field in which economic thinking had advanced and in which there was a greater measure of agreement was the pattern of economic development and the role of industrialization in economic and social development, a role which was appropriately stressed in the introduction to the *Survey*. It was now generally recognized that development must be co-ordinated, stable and balanced.

55. However, obsolete views on economic and social development had not yet been completely overcome and to some extent they manifested themselves in the documents on the Development Decade. The so-called balanced development of the under-developed countries sometimes served as a justification for an economic policy of slow growth which reflected the interests of only a part of the population.

56. No one denied, for example, the importance of education and the training of personnel, or of the development of communications. But development, if it were to be balanced and at the same time as rapid as possible, must put industry in the forefront.

57. It was clear that in an under-developed country priority must be given to the establishment of industry as a precondition for smooth and self-sustained growth. If the developing countries were to attain a diversified economy, it was essential for them to correct the present imbalance in their economy resulting from their low level

of industrial development. In that connexion, the figures given in tables 1-5 in chapter I of the *Survey* showed that in the past decade the rate of industrial growth in the majority of the less developed countries had been higher than the rate of growth of the gross national product.

58. The generally accepted model of economic growth based on the intensity of investment and its effectiveness led to the conclusion that the development of industry was vitally important for accelerated growth. Industry, as the most productive branch of the economy, increased a country's accumulation and investment capacity. It could be broadly said that the capital-formation ratio was in close correlation with the level of industrial development.

59. Industrialization increased a country's capacity for capital formation and at the same time ensured the most effective use of capital, which was the scarcest factor in the development of the under-developed countries.

60. The experience of Yugoslavia was particularly significant in regard to the importance of speedy industrial development. During the decade analysed in the *Survey* his country had increased its real national income two-fold. The basis for that rapid development had been provided by a rapid expansion of industry: in 1960 industrial production had been four and one-half times larger than before 1939. That expansion of industry had not taken place at the expense of other sectors but had, on the contrary, contributed to their growth. Agricultural production, for example, showed in 1960 a 46 per cent increase over the pre-war average. Social services, such as education and health services, had also enormously expanded.

61. The analyses in the *Survey* showed that one-sided specialization, which would rely on some kind of strict international division of labour, was impossible, and that diversified development, above all diversified development of industry, was necessary. The development of the capital- and intermediate producer-goods industries was particularly important; it was precisely through those industries that the real capacity for capital formation was increased. The analysis of trends in the industrially developed countries over the preceding decade contained in chapter II of the *Survey* (E/3624/Add.2) clearly showed that those industries developed at a faster rate than industry as a whole. In Yugoslavia, for example, in the decade 1951-60, the consumer goods industry had increased 2.5 times, while the capital goods industry had increased 3.5 times. A somewhat similar process was apparent in such countries as India, Mexico and Brazil. The development of the capital- and intermediate producer-goods industries could also remedy the unfavourable balance-of-payments position of the developing countries by reducing the need for imports.

62. However, as the *Survey* rightly pointed out, for the less developed countries which had no industrial nucleus it might often be necessary to begin their industrialization with those industries where the specific balance-of-payments problem could be solved with a minimum of funds. In the beginning, those industries need not always necessarily be the capital- and intermediate producer-goods industries. In that connexion, the importance of export industries should also not be underestimated, especially

in those countries that had already reached a certain level of industrialization.

63. In the light of the progress in economic thinking there was an obvious need for a strengthening, within the framework of the Development Decade, of international effort to provide international support for the endeavours of the less developed countries towards a speedy economic transformation.

64. The suggested United Nations international trade conference would constitute one of the first contributions to the elimination of the difficulties in international economic relations which hampered the speedy economic transformation of the less developed countries.

65. Mr. BROWN (International Confederation of Free Trade Unions), speaking at the invitation of the President, said that ICFTU had for several years been suggesting that an international conference on international trade problems should be convened. Although important work had been done in that field by various international bodies and even more important work was under way, it was disappointing to learn (E/3631 and Add.1-3) that many governments considered that, at that stage, an international conference might possibly endanger the pragmatic and expert approach which had prevailed so far. International trade developments in recent years showed clearly that the situation was growing worse; the terms of trade had become even more unfavourable for the under-developed countries, and competition between industrial countries for markets had in some cases assumed a more threatening form. Moreover, the trend in the Soviet bloc towards autarky had been complemented by trade offensives directed mainly against some of the most vulnerable areas of the world market.

66. It was therefore highly advisable to launch a new, all-out attack on world trade problems and to tackle those which could not be dealt with by existing international machinery. The danger that an international conference might have adverse effects on the work already done or under way could be considerably reduced by careful preparatory work, which should resolve the technical problems involved and inform world opinion about the tasks which the conference had to face. The preparatory work should further consist in the establishment of minimum rules of conduct in international trade, acceptance of which could reasonably be required of all States wishing to participate in the conference. Many disruptive practices should be identified, condemned and fought, especially if they affected the trade and development of underprivileged countries. Those practices included such methods as the breaking of multilateral agreements concluded in order to keep up the prices and to further the export of primary commodities.

67. The main object of the conference would be a radical readjustment of world markets and trade policies to the newly emerging patterns of economic activity throughout the world. Special stress should be placed on the urgent need to utilize existing surpluses for basic needs, especially in the underprivileged countries. There were no real surpluses in a world where the majority lived in poverty and need. The problem was to channel the flow of goods which were in excess to those places where they were needed: an ever-greater proportion of exports should be

diverted from the old to the potentially new markets in developing countries. The task involved was tremendous, but could be carried out by making use of existing instruments of economic and trade policy, especially if the effort were associated with aid to the developing countries and with private foreign investment. The result would be an expansion of international trade, to the advantage of the industrialized as well as the developing countries, which frequently encountered tremendous difficulties in their attempts to obtain access to traditional markets in the industrialized countries for their new products.

68. Special attention should be paid to the co-ordination and consolidation of existing activities pertaining to primary commodities, and a clear distinction should be made between long-term and short-term price trends. As for the long-term tendency of primary commodity prices to decline, it was very important to distinguish between economic factors and the unfavourable bargaining position of the producers. The latter could be strengthened by suitable international trade policies. Comparable policies to strengthen the bargaining position of agricultural producers in relation to big business had resulted in many industrial countries in the creation of what had been called the countervailing power. What ICFTU was proposing was the creation of a countervailing power at the international level. Yet at the international level as at the national level, it was a matter of political, not of purely economic, decisions, because the objective was not increased profits but a more balanced world economy. The first prerequisite for the creation of such a countervailing power was a minimum harmonization of multilateral and bilateral trade agreements. The obvious lesson to be drawn from the operation of

the International Sugar and Tin Agreements was that effective countervailing power could not be built up without an extension of multilateral agreements to enable them to prevail over any single bilateral contract. The achievement of that goal also depended on political and not purely economic decisions. But whereas the establishment of countervailing power against an economically unjustified decline in primary commodity prices called for a political decision on the part of wealthy industrial nations, the decisions pertaining to the extension of multilateral agreements and to the checking of possible adverse effects of the bilateral ones had to be taken by the exporting countries too.

69. The same considerations applied to attempts at eliminating short-term fluctuations in primary commodity prices. Some progress towards a compensation scheme had recently been made, but progress was slow. The only way of accelerating the process was through the adoption of a series of predominantly political decisions by the importing and exporting countries.

70. Since mainly political decisions were needed and since success depended largely on the simultaneous adoption of a wide range of very different but carefully concerted decisions by a great number of governments and international bodies, a well-prepared international conference appeared to be the most appropriate forum for that vitally important undertaking. The adoption of such decisions would be in the interest of the developed and less developed countries alike, would promote a healthy expansion of world trade and would reduce the ever-growing gap between the rich and the poor nations.

The meeting rose at 5.55 p.m.