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*President* : Mr. C. W. A. SCHURMANN (Netherlands).

*Present* :

Representatives of the following States: Afghanistan, Brazil, Bulgaria, Chile, China, Costa Rica, Denmark, France, Japan, Netherlands, New Zealand, Poland, Spain, Sudan, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Venezuela.

Observers for the following Member States: Argentina, Australia, Belgium, Czechoslovakia, Ghana, Hungary, Indonesia, Israel, Italy, Pakistan, Peru, Portugal, United Arab Republic, Yugoslavia.

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

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 Bank for Reconstruction and Development, International Monetary Fund, World Health Organization.

AGENDA ITEMS 2 AND 4

World economic situation (E/3361, E/3379 and Corr.1 and Add.1-4, E/3384, E/3389 and Corr.1/Rev.1, E/3391 and Add.1, E/3394, E/3396; E/ECE/383 and Corr.1 and 2; E/CN.12/541 and Corr.1, E/CN.14/28 and Corr.2)

Economic development of under-developed countries (E/3369, E/3371 and Add.1, E/3381, E/3387 and Add.1, E/3393 and Add.1-3, E/3394, E/3395 and Add.1)

GENERAL DEBATE (*continued*)

1. Mr. ORMSBY-GORE (United Kingdom) said that the current session of the Council marked a further step in the development of the United Nations economic and social work — a work of first-class importance, which after much experimenting was growing on sound lines. Much of the credit for that expansion was due to the imaginative way in which the Secretary-General had explored its frontiers. He could do no better than to follow his lead in the discussion and address himself to

the related topics of economic growth, trade and aid dealt with in the Secretary-General's statement (E/3394).

2. The primary concern of the Council was the encouragement of the economic development of the under-developed countries, and the world economic situation should be examined with that end in view. It was within that context that he would discuss the United Kingdom attitude to economic growth.

3. The United Kingdom Government saw reasonably good prospects in the immediate future for a further though slower expansion of world trade and economic activity in general. At the same time, it recognized that some countries had so far benefited much less than others from past expansion and it hoped that the near future would bring improvements in their situation. That was part of the longer-term problems discussed in part I of the *World Economic Survey, 1959* (E/3361), to which he would devote most of his attention.

4. The *Survey* dealt with the subject of economic growth, comparing the rates of growth achieved in various countries, making a valuable attempt to explain existing differences and discussing the problems and methods of promoting economic growth. The authors recognized the limitations inherent in any study of the kind, which were due to the choice of a particular period for study or to inadequate material and to the need to cover a very broad subject within the limits of one report. Recognizing those limits, the United Kingdom welcomed the *Survey*.

5. In a world united by international trade and by the flow of international capital, countries did not grow in isolation; the growth of one country or group of countries inevitably depended to some extent on the growth of others. Accordingly, the growth of the industrial countries was of interest and importance not only to themselves but also to the rest of the world.

6. Economic growth was an essential objective of United Kingdom policy since on it depended the raising of the national level of living and his country's ability to compete in the markets of the world. On that, in turn, depended the growth of the contribution which the United Kingdom could make to the development of poorer countries both by way of direct assistance and by offering a market for their products.

7. For soundly based sustained growth, however, there were two necessary conditions: the maintenance of reasonable stability of prices and of a sound balance of external payments. Growth itself might be the positive goal, but those were two permanent conditions of its achievement, and policy must be designed to ensure their maintenance.

8. The United Kingdom was an important international trader, a major source of long-term capital for the rest of the world, and its currency was in world-wide use. Accordingly, those who had the task of maintaining the strength and value of sterling had an international responsibility, the consequences of failure in which would be exceedingly damaging and widespread. It was not surprising therefore that they preferred to avoid risks that in other circumstances might be accepted. In other words, the United Kingdom must ensure that in the long run the payments which it made abroad were balanced by its earnings from abroad. Those payments included payments for current imports of food and materials essential for the maintenance of the economy, and exports of long-term capital to the rest of the world. If the United Kingdom were to play a full and constructive part in the world economy, it must ensure that over a period of years its receipts from abroad balanced all those payments.

9. In those circumstances, it was inevitable that on occasion measures had to be used which entailed some sacrifice of more rapid growth. The *Survey* gave some attention to the restrictions on the growth of industrial countries which might arise from concern with the external balance. It noted that various countries had had to restrain domestic expenditure in order to prevent temporary increases in home demand from depleting their foreign exchange reserves the measures applied having usually achieved the short-term objective but at the cost of a conflict with long-term goals; indeed, besides entailing some reduction in the rate of economic growth in general, they might also prevent some long-term improvement in the balance of payments itself by reducing home investment likely to assist exports. It was suggested that preoccupation with short-term problems had meant that the long-term objective of growth had often been relegated to the background.

10. Clearly, there was some substance in those remarks, but it might well be misleading to try to divide objectives into short-term and long-term categories. The action taken by the United Kingdom on various occasions to strengthen the external balance had not been directed towards a purely short-term or temporary objective; the specific measures employed at any time took account of both objectives, although they had necessarily to be directed at continuously changing short-term conditions. Although in retrospect it was possible to see that all the objectives might have been more fully achieved, nevertheless action could be decided only in the light of knowledge at the time, and experience had shown that attempts to grow too fast irrespective of other considerations might, through their effects on the external balance, in the longer run lead to a slowing down of the rate of growth itself. The problem, in short, was to reconcile the two objectives, a matter of great difficulty, the complete resolution of which had not yet been found.

11. One more specific point on the relationship between external balance and growth which was of special significance for the United Kingdom in its role of large-scale overseas investor was the possibility of conflict between a country's foreign investment and the growth of its economy.

12. The *Survey*, while devoting much attention to the relations between home investment and growth and to the role of outside capital in the growth of under-developed countries, said comparatively little about the problems which arose for the advanced countries in exporting that capital. His point was not so much that foreign investment competed with home investment for a limited supply of savings; the more significant fact was perhaps that foreign investment might in certain circumstances contribute to disequilibrium in international payments.

13. In a situation in which a few of the potential leaders were providing most of the international capital, there was a tendency towards such disequilibrium, and the measures which the lending countries had to take to correct it might restrain their growth. In recent years that serious difficulty had led countries to be cautious in their lending policies. The problem was not a short-term one which might, for example, be dealt with by increases in international liquidity; it was a long-term problem to which solutions must constantly be sought.

14. The remark in the *World Economic Survey, 1959* (page 6), that in almost none of the advanced industrial countries had the objective of economic growth been defined in terms of a comprehensive policy for growth was true of the United Kingdom, which had not set specific targets for the rates of growth or of investment to be achieved. United Kingdom policy had been to create conditions favourable to expansion while endeavouring to ensure that pressures towards rising prices or weakness of the external balance were kept under control. Specific incentives to growth and investment, such as devices which increased or accelerated depreciation allowances for tax purposes on industrial equipment, had been used since 1945 and were regarded as useful, but only within certain limits. More reliance was placed for the promotion of long-term economic growth on the maintenance of high level of demand and the creation of an atmosphere of confidence in the future. The United Kingdom was not, however, completely satisfied with its achievements so far. Its ideas were developing continuously; it therefore welcomed the opportunity of exchanging experiences with other countries. There was much of interest in the reports by various countries (E/3379/Add.1-4) of the use made of long-term economic projections, for the United Kingdom had been giving an increasing amount of thought to ways of using long-term economic reviews as a general guide to economic policy. Work of that kind, though still experimental, would undoubtedly become of increasing importance and practical value.

15. The *Survey* drew attention to the immense problems faced by the under-developed countries and recorded some of their achievements in the past decade. Those countries were making great efforts, but, although success would be determined by their own efforts, it did not depend on them alone. The richer countries must do as much as they could to help the poorer countries to help themselves. Such help must take the form of trade as well as aid. Without sound trading relationships, aid policies would achieve little lasting advantage.

16. The two principal aspects of the trade problems were the question of disposing of the existing products of the economies of the less developed countries and the marketing by those countries of new products as their economies expanded, diversified and developed. The market for many primary commodities was expanding relatively slowly and demand tended to fluctuate with the general level of industrial activity and with the influence of synthetic substitutes. Much remained to be done for primary commodities. The United Kingdom was giving its active support to the existing international commodity arrangements and was glad that it had been possible to renegotiate the International Tin Agreement under United Nations auspices. The United Kingdom was always ready to examine any serious trading problems of other commodities in the hope of finding ways to moderate short-term price fluctuations while taking into account all the complexities of world trade and production and avoiding measures of such rigidity as to distort long-term trends. It looked forward with interest to the report of the committee of experts established by General Assembly resolution 1423 (XIV) to advise the Commission on International Commodity Trade on the possibility of measures to offset the effects of commodity price fluctuations on balances of payments.

17. Among commodities, coffee was of particular importance, since many old-established countries depended on it for their livelihood, as did some of the emerging States in Africa. Coffee was one of the major commodities in world trade and its position was menaced by continuing overproduction. The United Kingdom Government was therefore taking an active interest in the work of the Coffee Study Group in Washington. The coffee problem was in many ways illustrative of the general problem facing primary commodity producers, since demand had tended to grow more slowly than the demand for manufactured goods. Fluctuations in prices were inevitable and the export of any single commodity could never provide an adequate basis for economic growth. If the less developed countries were to prosper, many would need to secure new sources of income by modernizing their agriculture and expanding and diversifying their industrial production. The process of adaptation would be hard and it was in facilitating that process that international organizations could show their real worth.

18. The industrialized countries had a very special responsibility, because it was inevitably the level of their economic activity and imports which largely determined the volume of world trade. If they could maintain a high and growing level of activity, they would provide expanding markets for others, but that must be accompanied by measures to foster international trade and, in particular, to reduce the barriers impeding the trade of the less developed countries. Much of that work was being carried out under the General Agreement on Tariffs and Trade (GATT), which was a cardinal feature of the external commercial policy of the United Kingdom Government. Undramatic though that work might seem, it might be felt that the Secretary-General's statement (E/3394) did not sufficiently emphasize the GATT contribution to the expansion of international trade.

19. The problems of adaptation imposed by the emergence of new producers, whether of agricultural or of industrial commodities, on the economies of the established producers were undoubtedly severe, but they must be faced and solved. The more widely the task of adaptation was diffused and shared among the industrialized countries, the more manageable the problem would become, and the greater the rate of economic development that could be achieved by the industrialized countries, the easier the task of adaptation would be.

20. Fears had been expressed that the formation of regional trading groups — a new development in international economic relations — might work to the disadvantage of countries outside them. Those fears were understandable. It was the firm and clearly expressed intention of the United Kingdom Government that the activities of any group to which it adhered, whether long-standing or recently established, should not have that result. The United Kingdom intended to work for increased rates of economic growth and for the reduction, not the erection, of barriers to trade. It hoped therefore that the regional organizations would in turn contribute to the expansion of multilateral trade throughout the world.

21. The developed countries needed capital and other assistance besides trade. The increase in the flow of such assistance showed a widespread recognition of the need to intensify it. The United Kingdom had made a large contribution to the under-developed countries in both private capital and government aid and would continue to make such contributions. The rate of assistance from United Kingdom government funds made available direct to individual territories had risen by roughly 80 per cent over the past two years, and the United Kingdom had also played a prominent part in increasing the resources of the international agencies for assistance. Its contribution to the United Nations Expanded Programme of Technical Assistance and to the Special Fund had more than doubled in 1960, and a further rise in the total of development aid might be expected that year, but not at that exceptional rate. It was, however, the aim of the United Kingdom Government so to promote the health of its own economy that it would be able to continue to give assistance on a very substantial scale.

22. Most of the assistance provided on a bilateral basis went to the overseas territories for which the United Kingdom was responsible and to the less developed independent countries of the Commonwealth, which could not rely on the flow of private capital or on issues on the London and other money markets to provide sufficient funds. Other countries, outside the Commonwealth, also received help from the United Kingdom, some direct and others through the International Bank for Reconstruction and Development (Bank) and the United Nations programmes. The United Kingdom would contribute nearly fifty million pounds sterling to the proposed International Development Association. The needs, however, remained pressing. The position of the United Nations and its agencies and the Bank as bearing the main responsibility for multilateral operations in the field of development assistance should be maintained.

23. In considering the Secretary-General's proposals for assistance to newly independent States (E/3387 and Add.1) he had borne in mind the advantages enjoyed by the United Nations in the provision of multilateral assistance. The new States were in great need of help to meet the urgent problems accompanying independence. It was right that the Secretary-General should be planning and preparing, and indeed taking, the necessary measures. That would undoubtedly cost money; how the money was to be raised would be discussed later, particularly in the General Assembly. All members of the Council would agree that it was urgently important to establish a close relationship between the United Nations and the newly independent States, and he was sure that the General Assembly would support that objective. It was certainly the desire of the United Kingdom Government that it should do so.

24. Mr. KEUMBELIEV (Bulgaria) said that the participation of ministers in the present session of the Economic and Social Council would make it easier for the Council to adopt solutions to the outstanding economic and social problems before it.

25. As the representative of a socialist State, he was well aware of the importance of economic relations between States with differing social and political systems. Bulgaria believed firmly in the policy of peaceful co-existence as the most realistic policy in existing circumstances. The more practical the steps to that end taken by international organizations, in particular by the Economic and Social Council, the greater would be their contribution towards the peace and progress of mankind. The vital need for the policy of peaceful co-existence itself resulted from the existence of varying economic and political systems. Almost 1,000 million people, one-quarter of the world's population, lived under the socialist system. Industrial production in the socialist States accounted for more than one-third of world industrial production. According to the *World Economic Survey, 1959* (chapter 6), the mean aggregate volume of industrial production in the socialist countries had increased by 14.5 per cent over the previous year, including a striking increase of 39 per cent for the People's Republic of China and 24.9 per cent for the People's Republic of Bulgaria. Whereas in the capitalist countries total industrial production in 1959 had only doubled as compared with the level before the Second World War, in the socialist countries it had risen by 5.7 times.

26. The characteristic feature of the growth of the socialist countries had been the high rate of industrial increase and the steadiness of the increment. In the capitalist countries growth had been impeded by recessions and crises and in some cases there had been stagnation. Chapter 4 and chart 4-1 in the *Survey*, which gave indices of industrial production 1957-1959 in North America and member countries of the Organization for European Economic Co-operation (OEEC), showed the irregularity of growth in the largest capitalist countries, with an unduly rapid development in certain sectors of production and a lag in such sectors as coal and shipping.

27. The basic indices of economic growth in Bulgaria in 1959 were those for the gross national product and real incomes. The figures for 1959 and 1960 showed that

Bulgaria had in a very short time been able to increase the gross national product by from 2 to 2.5 times the increase forecast in the third five-year plan. That rapid rate of increase had not been on a narrow front, but represented an overall figure. In the second five-year plan period (1953-1957) the annual rate of increase had been 12 per cent, whereas in 1959 it had been 24.9 per cent, more than twice as much. There had been a somewhat similar development in Bulgarian agriculture. One of the most important achievements had been the increase in real incomes. Bulgaria had been able to raise salaries and wages in certain sectors and minimum wages in 1960, four years earlier than had been intended. The rises had affected 1,300,000 workers out of a total labour force of 1,564,000, or approximately 80 per cent. Foreign trade had increased by 42 per cent in 1959, a remarkable development.

28. A planned system had the advantage of enabling the national economy to develop on all fronts in the interests of the people and the State. He could not agree with the Netherlands representative's statement at the previous meeting that capitalism was an obsolete nineteenth-century concept and that it was possible to plan a capitalist economy just as well as a socialist economy. The Netherlands representative had described the modern capitalist economy as "mixed", but the essence of the capitalist system had never changed, although some of its aspects were of course no longer the same as they had been in the nineteenth century. Its characteristic features remained private property and the monopoly of private property. In an attempt to show that the capitalist economy had become a planned economy the Netherlands representative had oversimplified the case by confining his explanation to mere technical planning of the use of the means of production. His assertion that a socialist economy could be achieved only at the expense of restricting consumption was refuted by the facts. Besides the development of heavy industry, the production of consumer goods in socialist countries was increasing steadily. Bulgaria, which had produced 25 million kilogrammes of sugar a year before the Second World War, was producing 160 million and in textiles the corresponding figures were 133 million metres and 209 million metres. The picture was much the same in the other socialist countries.

29. Only fifteen years previously Bulgaria had been a backward, agrarian country. Once it had achieved political independence by annihilating the fascist invaders, it had made up for lost time. In the development of its modern industry and mechanized agriculture, it owed a very great deal to the unselfish help of the Soviet Union and the other European socialist countries.

30. A major feature of the policy of peaceful coexistence was the maintenance of economic relations with all countries regardless of their social or political structure. Some writers and politicians had expressed doubts whether widely developed trade relationships were possible between socialist and capitalist countries owing to the difference in their economic systems. Such doubts were unwarranted. State foreign trade monopolies not only did not hamper trade by individual firms but encouraged it. Thanks to such monopolies, specialized export and import firms had behind them the whole

strength of the socialist State, a safeguard which they could not obtain in capitalist countries. Such a system made possible long-term trade agreements on stable terms. The existing trade relations between the two systems showed the possibility of further developments. Contrary to what was often asserted, the socialist States could not even contemplate a policy of autarky, but advocated a sane distribution of labour by the development of trade with all States. The trading situation between the two systems was not yet entirely satisfactory, however, and full use had not yet been made of all possible opportunities.

31. He had listened with interest to the United States representative's statement at the previous meeting in the hope that he would find in it some specific points of mutual interest. Unfortunately, some of the comments made in that statement gave grounds for concern. The United States representative had seemed to consider the economic system of the socialist States an obstacle to international trade co-operation. He had deprecated the suggestion that GATT should become a universal institution on the alleged grounds that the admission of countries with centrally directed economies would entail the sacrifice of the principles of liberal multilateral trade, and he had challenged the right of the socialist countries to be admitted to the proposed new Organization for Economic Co-operation and Development.

32. When the socialist States had proposed that a new international institution for trade should be established, they had been told that such an institution already existed in GATT and that they should accede to it. They were now told that they could not participate in the new organization, although they had participated in similar organizations since their establishment. The truth was that the socialist system of foreign trade was perfectly compatible with multilateral trade systems, and especially with the principle of the most-favoured nation. That would also be true of the proposed new organization. If there were a genuine will to economic co-operation, all States which so wished ought to be free to participate, even at the planning stage. Most European countries already had long-term and short-term trade agreements with the socialist States, with which they co-operated in the Economic Commission for Europe. It was hard to see therefore why they might not even discuss admission to the Organization for Economic Co-operation and Development.

33. Bilateral trade arrangements not only did not impede the development of international trade but they promoted it by providing stability. Unfortunately certain restrictions still impeded trade between the socialist and capitalist countries, such as unduly high tariffs, quota systems and in some cases general trade policies by which certain capitalist States restricted trade to all or some of the socialist States. One flagrant example was the uneconomic and unlawful trade blockade of the Chinese People's Republic, which would certainly fail to hinder the natural development of that country. History had shown that such action bore no fruit when applied to a socialist country. Even when the Soviet Union had stood alone as the only socialist country in the world, the economic blockade had merely recoiled on the blockaders. It was

even less likely to be successful at that time, when the socialist countries could provide mutual assistance. It might well be that the greatly accelerated economic development of the Chinese People's Republic was actually due in part to the stimulus of the economic blockade.

34. Further obstacles to the free flow of international trade were constituted by the European Economic Community and the European Free Trade Association. Several countries had expressed their concern during meetings of the regional economic commissions at the existence of such closed trading groups, with their internal privileges and their discrimination against other countries. A wide application of the most-favoured-nation principle would be helpful in remedying that state of affairs.

35. The question of international economic co-operation was bound up with that of the development of the under-developed countries, many of which had become independent within the past decade. Their first task was to raise the level of living of their own peoples. Rapid economic development was the prerequisite for the economic and social progress of the whole world. Since gaining independence the under-developed countries had made a considerable effort to develop their national economies. As the *World Economic Survey, 1959*, showed, there had been a substantial increase in capital investment in those countries in the past ten years, bringing a rapid change from their previous stagnation, and an effort to diversify their production. In making such efforts they were, however, still facing great difficulties, particularly with regard to capital investment. What they had achieved by their own efforts was highly commendable, but it could not be sufficient, especially when account was taken of their backwardness arising from their prolonged colonial status. Foreign aid was required to supplement their own efforts, but it must be granted without political or military conditions. They were in dire need of equipment and machinery, which they could obtain by increasing their exports. But some 70 to 90 per cent of the value of their exports was derived from primary commodities and the monopolists in the capitalist countries were taking full advantage of the situation to keep prices low, while the prices of manufactured goods exported to them were rising. That disequilibrium was continually increasing.

36. The Economic and Social Council must ponder those facts and devise measures which would help to eliminate the gap between import and export prices. At that session an attempt had been made to show that bilateral and multilateral assistance to the under-developed countries were incompatible. In the past, both the socialist and the capitalist countries had successfully provided bilateral assistance as had been seen where such assistance had been a factor in the economic development of the country concerned and had strengthened its political and economic independence.

37. When the Council was considering the inadequacy of funds for the assistance of the under-developed countries, it should by no means overlook the economic and social aspects of disarmament. Everyone realized how effective assistance to the under-developed countries could be if the vast assets tied up in armaments could be

released. Undoubtedly the representatives of the under-developed countries at the fifteenth session of the General Assembly would firmly support proposals for disarmament. It was the more to be regretted, therefore, that at its twenty-eighth session the Council had failed to take any decision to study the economic and social aspects of disarmament. There was still hope, however, that it might do so.

38. The Bulgarian delegation was ready to support any proposals that would contribute to the improvement of general economic relations, based on mutual advantages and the full recognition of the sovereignty of the States concerned. It would also be prepared to support any proposals for effective assistance to the under-developed countries.

39. Mr. YEN (China) said that the efforts of the Council to foster international economic co-operation and to focus interest on the economic and social development of under-developed areas deserved full recognition. Its task was not an easy one, calling as it did for co-ordination of the diverse interests of countries at different stages of development and for the gradual removal of barriers arising from differences in outlook.

40. His delegation, which represented the only legally constituted Government of China and spoke for all the Chinese people, had over the past fourteen years supported every progressive approach to economic and social questions of common concern.

41. Since the close of the Second World War, the world economy as a whole had been characterized, except for brief periods, by general prosperity and progress. There was an intense desire throughout the world for economic progress; indeed there had never before been a period of world economic development of such magnitude. The general progress could have been greater had it not been for the bloc of countries which were bent on subjugating others by force and subversion. In order to safeguard its independence and freedom, the free world had been compelled to devote to defence purposes a considerable portion of its resources which would otherwise have gone to economic development.

42. As to the world economic situation in 1959, the economic progress made by the free world in general and by the countries of his own region in particular was a source of satisfaction. Industrial production in the free world had increased by 8 per cent and that of the region covered by the Economic Commission for Asia and the Far East (ECAFE) by 23 per cent, according to statistics published in the *Monthly Bulletin of Statistics*.

43. The documents before the Council showed that during 1959 world production and trade as a whole had made good progress, despite some weaknesses. The general trend for 1960 pointed to decided improvements in those respects and general prosperity in the free world.

44. He was in full sympathy with the view of the Secretary-General in regard to regional integration. His own remarks would be directed to the specific problem of regional economic co-operation in Asia. As a means of recourse to the strength of the individual countries and of pooling available resources for the common objectives, regional economic co-operation in Asia was an undertak-

ing worthy of assistance from the United Nations and the advanced countries as well as of the efforts of the Asian countries themselves; it might cover such matters as utilization of resources, flow of capital, exchange of technical knowledge and removal of trade barriers.

45. An essential prerequisite to any regional co-operation programme was that the developing countries themselves should prepare a more intensified technical co-operation programme designed to foster a greater exchange of national experience in economic and social matters. The United Nations regional commissions and specialized agencies could sponsor such a programme and could arrange that the training facilities of any country that was successful in a specific programme should be used for the training of similar personnel for other countries.

46. His own country furnished an example of what might be done. It had made substantial progress in agricultural and industrial development and in addition to receiving several hundred holders of fellowships from other Asian countries to study a large variety of subjects it had sent teams of experts to a neighbouring country to help in the organization of farmers' associations, the general improvement of agriculture, the survey of the sugar industry and the setting up of textile mills. If such activities could be enlarged, the result would be a solid foundation for regional co-operation.

47. Regional co-operation in the ECAFE area in the development of heavy industry was in the long run a matter of necessity, since the technical skill and capital required were greater than any one country alone could provide. Moreover, a broader market for the products was needed, which again could be provided only by regional co-operation. Possibilities for action in the matter might perhaps be examined by ECAFE and other agencies concerned.

48. With regard to trade, economic recovery in the industrial countries had led to an increase in the price of many raw materials. On the other hand, prices continued to be low for some primary commodities, including rice, coffee, cocoa, tea, short-staple cotton, sugar, petroleum, coal, lumber and wood-pulp. Changes in world demand were only partly responsible; the main cause of the weakness was to be found in over-production, a problem of considerable difficulty. A fall in price did not invariably lead to a correspondingly reduced production of an individual commodity; indeed, if that were so, the resulting price fluctuations might be even more violent than under existing conditions. A definitive solution of the problem might require some sort of international arrangement on a commodity-by-commodity basis.

49. The United Nations and the advanced countries should also devise means for promoting the export of goods produced by newly established industries in under-developed countries. In that connexion the Secretary-General's suggestion (E/3394) that the industrial countries should relax their foreign trade policies in favour of all exports from the under-developed countries deserved serious consideration. Effective promotion of their external trade would provide the under-developed countries with a reliable source of the foreign exchange needed for further economic development and long-range improvement of living standards.

50. The Secretary-General was suggesting that the United Nations should play a part in the field of capital investment — a most heartening development — and presumably, existing technical assistance machinery was to be used for the task. Nevertheless, there remained the long-standing problem of where the requisite funds were to be found. A possible solution would be to appeal for funds on a project-by-project rather than on a general basis, for the support of capital-exporting countries might be more easily enlisted in that way.

51. On the question of foreign capital, it should be emphasized that formation of capital was a prerequisite for economic development. Domestic savings should be the main source of such capital and excessive consumption should accordingly be discouraged in the under-developed countries so that the maximum available domestic resources might be channelled into capital investment. Even so, as the Council had repeatedly emphasized, domestic capital in the under-developed countries fell far short of requirements, showing the essential need for foreign investment. Private foreign investments in the less developed countries, although lower than in 1957, had been maintained at a high level during 1958. Unfortunately the net capital receipts of Asia had fallen in that period, the greater part of private foreign capital having been invested in the other regions.

52. The crucial factor determining the international flow of private capital was the estimated return, all risks being taken into account. Accordingly, the only two means of stimulating the inflow of such capital were to increase the return or to reduce the risks. Profitable investment opportunities existed in many ECAFE countries and it was probable that the existence of factors affecting either profits or security might account for the drop in foreign investments there. The under-developed countries should take the necessary steps to create a climate likely to attract private foreign capital.

53. Private foreign capital and multilateral aid alone, however, were far from sufficient to meet the needs of the under-developed countries and bilateral aid still had an important role to play. The recent trend towards reducing the amount of aid given under bilateral agreements and increasing the reliance of the under-developed countries on private investment, sound though it might be in the long run, was bound to produce adverse effects if it developed at too great a rate.

54. Another related matter to which he would call attention was the position of many of the economically advanced countries that had been ravaged by the Second World War. With the help given by the United States, those countries had not only recovered but had greatly surpassed their production records of pre-war years. They were therefore in a position to aid the under-

developed countries and his delegation was glad to note that they were already doing so.

55. World resources for economic development were not unlimited and excessive allocations to projects of lower priority would hold back work of higher priority and thus hinder economic development. That fact, if ignored, could seriously harm international economic co-operation and retard long-term development programmes.

56. With regard to economic development in his own country during the past decade, his government's efforts in Taiwan had been attended by an appreciable measure of success. Large-scale economic rehabilitation and reconstruction had been started after the war. In the period 1949-1959, the agricultural production index had risen by 75 per cent and the industrial production index by 246 per cent. The average annual increase in national income over the same period had been 8.1 per cent and in real per capita income 4.5 per cent. The standard of living of the people had risen steadily, as statistics on nutrition, education and public health made abundantly plain.

57. The soundness of the economy had been strikingly illustrated by the way in which the heavy impact of the unprecedented flooding of central Taiwan in August 1959 had been overcome. The resulting losses had amounted to almost one-tenth of the national income, but the joint efforts of the Government and the people had enabled the situation to be fully restored within ten months without any undue disturbance to the regular progress of the economy.

58. The third four-year economic development plan which was due to begin in 1961 called for accelerated economic development at a rate of not less than 8 per cent per annum. The programme included measures to improve the climate for investment, reform budgetary and monetary policies and reduce foreign exchange and trade restrictions. Measures under consideration to encourage private investment, both domestic and foreign, included legislation covering a whole series of tax reductions and reliefs.

59. The achievements he had outlined had not been attained without considerable effort and sacrifice. The task had been carried out under a democratic system in which due regard was paid to personal freedom and human rights, in sharp contrast to the conditions existing in some other countries where economic progress was claimed, but where people had to work under duress and fear. He was confident that, with the additional measures contemplated, his country would in the next few years attain an even faster rate of economic growth. What it was accomplishing should be of interest to all countries, both developed and less developed.

The meeting rose at 1 p.m.