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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: Indonesia, Israel, Mexico.

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

The representatives of the following specialized agencies: International Labour Organisation, Food and Agriculture Organization of the United Nations, International Civil Aviation Organization, World Health Organization, International Telecommunication Union, Interim Commission for the International Trade 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, ME/284/55, ME/285/55 (*continued*))

1. Mr. DIAZ ORDOÑEZ (Dominican Republic) congratulated the Secretariat on the documents submitted, which made it possible for the Council to undertake a thorough review of the world economic situation. The need for such a thorough and conscientious review was obvious in the light of current events and the situation in which millions of human beings throughout the world were at present living.

2. His delegation has followed the course of events with understandable alarm. Despite all the reports which had been submitted to the Economic and Social Council in pursuance of General Assembly resolution 118 (II), in which the General Assembly had reminded the Council of its responsibility, under the Charter, for promoting the solution of international economic problems, higher standards of living, full employment and conditions of economic and social progress and development;

despite all the resolutions which the Council had adopted recommending measures to promote economic stability and to remove the obstacles which beset international trade, various restrictive practices were still obstructing international economic collaboration, the retention of import quotas being but one example, if the most important.

3. It must be borne in mind that the world was working towards a specific end through the Economic and Social Council, which had at least as practical a task to perform as any other organ of the United Nations. The action which the Council had taken to promote the development of the under-developed countries was matched, for instance, by the efforts made by those countries themselves. All those efforts, however, were adversely affected by the restrictions on international economic co-operation and trade which still persisted, despite all the high-sounding declarations made at international gatherings. Equality was the common heritage of mankind, and to promote it was not to rob anyone of his due. The principle of equality had been sanctified in the United Nations Charter, and any attempt to prostitute the concept must be staunchly resisted. Justice and reason both demanded that those countries which were deprived of their fair share of the world's resources should have the right to claim it. There could therefore be no objection to his saying, in what was by virtue of its functions the most dynamic of United Nations organs, that restrictive practices in international trade revealed a lack of the good faith which should always imbue the organization's recommendations.

4. For that reason, his delegation had studied the *World Economic Report 1953-54* (E/2729), with great interest. As the *Report* showed, the main effort during 1953 and 1954 had been directed to continuing the fight against inflation, to promoting investment and to restoring world economic equilibrium. The *Report* rightly pointed out that, whereas international trade was of only marginal importance to some countries, it was vital to others. Certainly, international trade was one way by which the under-developed countries could obtain the goods essential to their economic development. However, the policy of massive imports which, in recognition of that fact, had been followed in the years immediately following the Second World War had caused serious pressure on the economies of the under-developed countries, which had been forced to adopt certain measures to protect themselves. Those measures had, in turn, led to the General Agreement on Tariffs and Trade (GATT), which was designed to prevent further increases in tariffs, to eliminate preferential treatment, and so on.

5. The Dominican Republic was one example of what a country could achieve by the full utilization of its

domestic resources. The Dominican Republic traditionally depended for its existence on exports to the world market. The Government had taken steps to lessen that dependence: during 1954 alone it had invested 72 million pesos in the development of the oil, paint, textile, meat-canning and other industries; it had also worked out a plan for exploiting the country's considerable mineral resources. It had not, however, underrated the contribution which the country's traditional exports of agricultural produce could make to economic development. It had introduced a comprehensive programme to increase agricultural production by splitting up the former agricultural colonies among private farmers, establishing experimental agricultural stations, and building irrigation works. The irrigated area had been increased tenfold in the past few years. An agricultural credit bank had also been opened to assist farmers, particularly in installing mechanical equipment. As a result of those and other steps, agricultural exports had trebled since 1945, thanks solely, he stressed, to the unaided efforts of his Government and people. As a result, the Dominican peso was now one of the strongest currencies on the world market, being at par with the dollar. The Dominican National Bank's gold and currency reserves provided two-thirds cover for the amount of money in circulation. Altogether, 1954 had been marked by very great monetary stability. The fact remained, however, that his country's earnings from its exports were adversely affected by the fact that an import quota system, based on an outmoded and arbitrary conception of international trade, made it impossible for it to dispose of its whole sugar crop in its natural market; and sugar was the main export.

6. The problem of import restrictions was, as he had already emphasized, a general one; that was indeed the sole justification for his reference to his country's experience in that field. His delegation hoped that constructive steps would be taken in the very near future to remove all such obstacles as were still hampering the steady development of international trade. It appealed to other delegations not to relax their efforts to promote international economic co-operation in a spirit of harmony and understanding.

7. Mr. ABELIN (France) said that the Council's decision to reduce the discussion to a single debate by grouping together items of its agenda which had hitherto been dealt with separately constrained delegations to grapple with the task of combining their observations. The French delegation, though it could not complain that there were not enough documents available, regretted that the French version of several of them had been issued rather late, so that its task had been made more difficult. Moreover, the task of delegations had in some instances been made difficult by the actual content of the documents—for example, that of the *World Economic Report 1953-54*, which consisted largely of an analytical enumeration of data, rather than of comparisons from which general conclusions could be drawn. That was his only comment on a study which represented a great deal of work and provided much useful and interesting information. He felt sure that the Secretary-General and the Under-Secretary for Economic and Social Affairs would see to it that, in future, studies

carried out by the Bureau of Economic Affairs were more in the nature of a synthesis, thus bringing the debates to a natural focus on essentials.

8. The French delegation proposed to call attention to a few points only. In his opening statement at the 871st meeting, the Secretary-General had very properly stressed the importance of the phenomenon noted the previous year, concerning which the *Report* contained some valuable information—the economic recession which had developed in the United States of America early in 1953 and had remained clearly marked throughout a good part of 1954, but which, contrary to widespread fears, had caused no decline in the level of production and employment in Europe or the countries of primary production. While there was cause for gratification in a fact which, as the *Report* pointed out, had to some extent laid the ghost of future depressions, there was no occasion for hasty optimism which events might belie.

9. It was gratifying to note that in the present instance the European economy had not only been immune from repercussions arising out of the situation, but had shown remarkable vitality and made considerable progress, in spite of an appreciable drop in European exports to the United States of America. Europe had even helped to maintain prices of primary commodities, and had contributed to the equipment of the under-developed countries, both by providing technical assistance and by granting liberal payment facilities.

10. Incidentally, the United States had been prompt to welcome the improvement in the European economy, and the countries of Europe, for their part, although happy to have been in a position, relatively speaking, to make good to some extent the temporary failure of American demand, realized none the less that that demand was as predominant today as it would be in the future—a fact that laid on the United States of America responsibilities of which its Government was fully aware. Moreover, it was clear that, had the European economy failed to cope with the happenings of 1954, the American recession would have had more serious consequences. Although that recession had been so slight as to cause only a small decline in United States imports, it had been accompanied, as the Secretary-General had rightly pointed out, by a fortunate series of coincidences which might not recur. One might well wonder what would have happened had the decrease in United States trade payments not been offset by financial payments in the form of exports of capital or the granting of credits. The essential fact during the period under review was that, as table 52 in the *Report* showed, the amounts of United States dollars available to other countries had in the final analysis been constant.

11. It was that permanent and regular flow of dollars that had enabled Europe, in particular, to increase credits for the export of capital goods to under-developed countries; to finance increased imports of raw materials; and to pursue a policy of expansion which had helped to maintain economic equilibrium in the rest of the world.

12. It might of course be wondered to what extent the offsetting of the reduction in United States trade payments by financial payments was the result of chance or

of deliberate policy. What mattered, however, was that it had occurred, and that it had spared the world economic difficulties which, in different circumstances, might well have been more serious.

13. With regard to the prospects of world trade, the publication entitled *The Quest for Freer Trade* (E/2737) gave an excellent account of the measures taken by certain Governments to liberalize their trade and to protect their economies, as a whole or in part, from foreign competition. Its authors' premiss was that international division of labour and specialization were the goals at which the world economy should aim, and therefore that the liberalization of trade, the organization of a multilateral system of payments and, lastly, the restoration of currency convertibility, as so many means of attaining those goals, must be encouraged. While agreeing with the principle laid down in the study, the French delegation did not overlook the fact that its adoption might give rise to certain difficulties, which the authors of the study might be accused of having ignored.

14. So little space was devoted to the historical and economic background to the restrictions on international trade that it might well be asked why Governments should have introduced them at all, and above all why they maintained them.

15. Developing his argument that the application of such a policy raised certain problems, he observed that a return to convertibility must mean not simply the free transferability into dollars of credits granted in currencies which had become convertible, but also—and mainly—a very broad liberalization of trade with the dollar area. In that connexion, he cited a statement made by Mr. Pflimlin, the French Minister of Finance and Economic Affairs, in the Organization for European Economic Co-operation (OEEC), to the effect that convertibility was not an end in itself, but was desirable only in so far as it could promote the expansion of trade by providing a broad and stable currency basis, and that a study should be made not only of the advisability, but also of the nature of the measures to be taken, to ensure that they made their contribution to the development of trade without impairing the solidarity of the OEEC countries.

16. The commercial problems bound up with a return to convertibility were clearly highly complex. It was not even certain that the extremely stringent trade regulations recently drawn up by GATT, which Governments had undertaken to observe when certain currencies returned to convertibility, would bring an increase in world trade. Another question was whether the liberalization of trade within a regional framework—whether that of OEEC or that of some other body—should or should not, if difficulties arose, take precedence over the liberalization of trade on the international—that was, the GATT—level.

17. As to the effort made to liberalize trade regionally—a task which should be persevered with, since all the possibilities in that field had not yet been exhausted—he noted that, thanks to the spirit of co-operation prevailing in OEEC, many European countries had been able to undertake to free reciprocally more and more goods, such undertakings being coupled with a financial agree-

ment negotiated by the European Payments Union (EPU) that assured the countries concerned that the funds necessary to meet their commitments would be available. But OEEC and EPU in essence formed a single entity, and were concentrated in one place, unlike GATT and the International Monetary Fund, whose respective headquarters were several thousand miles apart. Hence the ideas of the two last-named did not always coincide, a circumstance which might explain the considerable difficulties—both financial and commercial—being encountered in working out the formal *modus vivendi* of convertibility.

18. But if it were only a question of strengthening international institutions and giving them the means and powers that would enable them to promote and regulate international trade in the event of a return to convertibility, it would no doubt be fairly easy to solve the problem—at least in the first phase. The real difficulties would begin when the possibilities of restoring a sound and lasting balance between the dollar area and the other currency areas as the essential condition for convertibility came to be tackled. It would be then that the problem of the basic causes of the dollar deficit would arise—a problem for which it seemed unlikely that a solution would be found very soon.

19. After explaining the difficulties that would be created throughout the world by an abrupt return to convertibility, he said that it was nevertheless necessary to work for the elimination of obstacles to trade. The French Government intended to make efforts in that direction. It had been glad to note that the United States Congress had passed the law on reciprocal trade agreements authorizing the President of the United States to reduce tariffs by 15 per cent during the next three years.

20. While on the problem of convertibility, he had wished to confine himself to comments that were generally applicable, but there was one consideration peculiar to his own country which he wished to put forward. It was pointed out in chapter 6 of the *World Economic Report 1953-54* (pages 144 and 145) that every six months France had to face a deficit, amounting to about \$300 million, in the trade balance of the overseas territories for which it was responsible, making a total of \$600 million per annum. Of course, only part of that amount represented a deficit in foreign currency which had to be covered by metropolitan France; the rest in fact represented unpaid exports—that was, shipments of national products—part of which could be exported elsewhere against payment, thus bringing in foreign currency. With regard to the liberalization of trade and convertibility, those burdens borne by France placed the country in a position of which the complexity and difficulty were frequently overlooked. The annual deficit of \$600 million he had just mentioned was precisely the equivalent of the metropolitan territory's financial investments for the development of its overseas territories under the ten-year plan. In chapter 8 of the *Review of Economic Activity in Africa 1950 to 1954* (E/2738), it was pointed out that during that period public investment by France in the African territories for which it was responsible had amounted to French francs 663,000 million, or \$1,900 million (equal

to a rate of \$380 million per annum). The extent of the effort made by France to develop its African territories could be appreciated when it was remembered that since its foundation the International Bank for Reconstruction and Development had made loans totalling no more than one million dollars to finance economic development in under-developed countries throughout the entire world.

21. He then turned to the *Economic Survey of Europe in 1954* (E/ECE/194), published at Geneva the previous spring by the secretariat of the Economic Commission for Europe. Among its other merits that document drew attention to a problem whose importance was not always sufficiently brought out—namely, the existence of under-developed regions in industrial countries. The case of the Mezzogiorno in Italy had been considered in particular, but it must not be forgotten that in a country such as France there were also regions at very different stages of development. The people in certain regions found their resources considerably depleted as a result of the development of industries and agriculture, and the result was a disequilibrium which caused serious difficulties. In certain cases the solution was to be found in international co-operation. For instance, France could participate in the equipment of certain regions of Italy, and Italy in return could help France, particularly in developing its agriculture.

22. With regard to industry, statistics did not always bring out a point he wished to stress—namely, that, apart from the difficulties France was trying to overcome in order to reach a better economic balance, his country had made tremendous efforts towards modernization, of which he quoted many examples.

23. He also wished to draw attention to a tendency on the part of the authors of the *Economic Survey of Europe* to reproach France for devoting too large a proportion of its investments to agricultural development. Those investments were not excessive, however, since on the average they amounted to only 12 per cent of the country's total investment. On the other hand, the authors of the *Survey* were certainly right in stressing the need to show discrimination in agricultural investment, for it was unwise to stimulate all branches of agricultural production. It was necessary to take account of what was happening in all the other countries of the world and try to harmonize the different branches of production. It must be recognized, however, that there was still a shortage of agricultural produce in the world, as a whole, that there were still hundreds of millions of people who were under-nourished, and that, on the other hand, there was still land which could produce.

24. In his statement he had wished to take a look at the past and had tried to some extent to explore the future. He thought it would be useful if on the occasion of the Council's annual discussions on the world economic situation countries were to communicate to each other the forecasts they were able to make regarding the development of their respective economies. In that connexion he thought that there was a gap in the documentation supplied to Governments, since it covered only a period which had expired at least six months previously. To be really fruitful, the discussions should be based on information, even though only very brief,

relating to the first six months of the current year; that would, of course, entail extra work, but it would certainly be justified.

25. In conclusion, a look into the future—and he had taken many in the course of his remarks—was bound to raise the question of the international political horizon, because economic and political developments were clearly linked. He was glad to be able to say that discussion on that subject was that year giving rise to less anxiety and more hope.

26. It was, to be sure, inadvisable to expect too rapid results from the improvement in international relations which had just set in. On the most optimistic assumption, progress would be slow; but no progress towards the restoration of political confidence could have anything but favourable repercussions in the economic sphere. In particular, a lessening of tension between West and East could and should reduce the number of obstacles to international trade. Incidentally, too much importance need not be attached to trade statistics. The figures might for a time remain low; but there was no doubt that, if firmer economic and political relations could be expected to develop between East and West, many of the difficulties now being encountered in connexion with trade, currency convertibility, etc., would be in part smoothed out. Thus, an improvement in the political climate would have not only psychological, but also practical effects that would surpass the results of a development in trade or economic relations. Bearing in mind all the consequences that would flow from a general relaxation of tension, as a prelude to a long period of peace and confidence, he would conclude by expressing the hope that in 1956 the discussion on the world economic situation would open in an atmosphere of serene assurance.

27. Mr. HARTNELL (Australia) said that the present discussion was an extremely important one that was being conducted at a very high level. He was, indeed, bound to wonder whether the debate would receive outside the Council Chamber all the attention it deserved. The Council was, after all, discussing nothing less than the material welfare of mankind.

28. In his introductory statement the Secretary-General had warned the Council to keep the documentation supplied by the Secretariat in its proper perspective. Mr. Hammarskjöld had been perfectly right to issue that warning, but his own cautionary words should themselves be kept in true perspective. The Council was, in fact, indebted to the Secretariat for the *World Economic Report 1953-54*, and the supplement thereto, entitled *The Quest for Freer Trade*. The *Report* was a salutary reminder that the present-day world was, generally speaking, one of prosperity. There was a high level of employment, and systematic plans were in operation for raising standards of living in many countries. Wisdom and skill might well be called for to ensure the continuation of that desirable state of affairs, but there was no evidence that wisdom and skill were lacking. On the contrary, the great conferences which were shortly to be held in the Palais des Nations perhaps suggested that the world's wisdom and skill were growing. The Council's great responsibility was to encourage the use of international machinery for promoting the

economic and social advancement of all peoples. In that task it should not worry unduly about the difficulties, for that would only inflate them.

29. Generally speaking, the current economic situation was characterized by the substantial measure of readjustment to the post-Korean crisis. There was a wide measure of prosperity; the volume of world trade continued to expand; and the terms of trade as between primary producing and manufacturing countries had remained relatively stable. Some concern was felt about the course of certain commodity prices in the immediate future, but in his view—borne out by the *Report*—the rising demand generated by expanding activity in western Europe should ensure that there was no long-term cause for anxiety in that respect.

30. It was, of course, true that western Europe was still largely dependent on massive assistance from the United States of America. In that connexion, it was pointed out on page 12 of the *Report* that in 1953 government grants, investments and expenditure abroad by the United States of America had exceeded the increase in other countries' gold reserves and dollar holdings by more than \$2 billion, and it had been added—in his view mistakenly—that so long as that situation continued some pessimism regarding the end of the dollar shortage was justified. If the world was to enjoy an expanding economy, that situation must surely continue; there had not been a single period in modern economic history when one or more countries had not been investing substantially abroad and, by doing so, promoting economic expansion. It was true that in the present circumstances United States investment overshadowed that of any other country, but that should not be regarded as something strange, or out of harmony with the working of the western economy.

31. Nevertheless, although the level of world prosperity would—perhaps for a long time—continue to be largely dependent on United States policy, an increasing measure of responsibility for world prosperity was devolving on western Europe, and more particularly on OEEC, as so strikingly emerged from the *World Economic Report*. There could be little doubt that a great deal of the prosperity at present visiting all the countries of western Europe was due to the fact that those countries, rich, fertile and resourceful, were now acting more as an entity pursuing common economic ends than had been the case for hundreds of years.

32. The success which had so far attended OEEC meant that that organization had taken upon itself a very serious responsibility in regard to the rest of the world. That responsibility would be discharged if the member countries continued to act in concert to promote the development and expansion of western Europe and of the tremendous market potential which existed there.

33. In the Australian delegation's view, the key to that development lay in investment. The maintenance of investment at the highest possible level commensurate with the size of the gross national product would, in its view, do more to raise standards of living and to expand world trade than would mere preoccupation with so-called artificial barriers to world trade.

34. The *World Economic Report*, however, failed to reflect adequately the paramount influence of investment on trade and on an expanding world economy. It devoted a little space to public investment, but a great deal to private investment. The failure to deal fully with public investment tended to make comparison of the various countries' rates of development somewhat misleading. All countries—even those, such as Australia and the Scandinavian countries, whose economies were predominantly based on private enterprise—had a large measure of public investment, accounting in Australia for between 30 and 35 per cent of total investment. The *World Economic Report* did not help the Council to assess the magnitude of such public investment at the present time. It gave, on the one hand, the sum total of government expenditure, irrespective of its nature, and, on the other, the amount of private investment in fixed assets and stocks. He hoped that in future reports greater attention would be given to the important question of public investment.

35. Preoccupation with balance-of-payments problems was perhaps responsible for the tendency apparent in recent years to regard a high level of investment including a substantial proportion of public investment as too difficult to achieve unless the major part of it could be financed out of external aid. Undoubtedly, pressures on the balance of payments or on consumption expenditure could cause difficulties, but the Australian delegation was convinced that the question was one which could fruitfully be studied, especially as Governments would need to develop new techniques of expenditure if it were found possible to reduce spending on armaments. It would certainly be a mistake to expect that in the countries of private enterprise such reductions would automatically be fully offset by increased private expenditure.

36. The truth was that growth and stability were conflicting objectives, each of which must be accorded its due place when government policies were being worked out. The real aim should be to ensure a continual increase in needs, and in the ability to meet those needs. Achievement of that aim would incidentally and inevitably entail an increase in world trade. If that created difficulties of government policy, it would also raise immense administrative difficulties. In addition to the need for able and experienced government officials, there would be a need for fairly detailed information on the current investment situation and, in general, for adequate statistical services. The latter question should receive very close attention at the present stage, and the Statistical Commission might be asked at its next session to examine and make recommendations upon ways and means whereby the quality and coverage of statistics might in due course be improved through concerted international action.

37. Such problems of administration and statistics were of course equally important in the field of domestic policy and in the field of policy involving some other country or international institution. As the reports at present before the Council showed, the three international institutions in the field of trade payments and investment were assuming great importance. The opportunities that GATT and the International Monetary

Fund gave for consultation could be of particular value when, as a result of the maintenance of high levels of investment, countries had a relatively high demand for imports. Moreover, the Protocol which had been drawn up at the recent session of the Contracting Parties to GATT would, if ratified, make it possible to set up an organization which might well make an even greater contribution than GATT to the study and orderly operation of international trade. Incidentally, it would be possible for the proposed Organization for Trade Co-operation to become a United Nations agency, which GATT, by its very nature, could not be. As in so many international problems, the countries concerned, or many of them, were awaiting a lead from the United States Congress. If—but only if—Congress agreed to ratify the Agreement on the Organization for Trade Co-operation would that organization come into existence. Congress had not ratified the Charter for an International Trade Organization, which had accordingly been stillborn. It would be a matter of grave concern if, for the same reason, the Organization for Trade Co-operation were stillborn also.

38. The *World Economic Report*, which was strangely silent on the problem of the international flow of public capital, contained no adequate appreciation of the important service which the International Bank for Reconstruction and Development was also providing in facilitating international investment, and incidentally, as he would illustrate later with reference to Australia, in stimulating world trade. Much of the considerable amount of capital required for national development programmes should and would be obtained locally, but for countries with very low levels of income, and for those whose development was proceeding at a very high pace, some external capital on public account was required. Through the International Bank, the Export-Import Bank and the International Finance Corporation, considerable provision was being made for facilitating the international flow of capital and thereby not only guaranteeing a high rate of economic development, but also correcting the imbalance in international payments to which the *Report* paid so much attention. The international flow of capital at a high rate would also provide a basis upon which it would be possible greatly to reduce all the restrictions which had been imposed on international trade since the war. That attack on the problem would go to its fundamentals.

39. Turning to his own country, he said that the principal aims of its economic policy were to encourage the rapid development of national resources, to maintain full employment and to preserve economic stability. Immigration, at present running at a level of well over 100,000 persons a year, had an important part to play in rapid development. Owing to the combined effects of natural increase and net immigration, the population was growing at an average annual rate of 2.5 per cent. To assist development, the Government had during the past five years obtained loans totalling \$258.5 million from the International Bank, and had borrowed Swiss francs 120 million from Switzerland. It was also encouraging investment by overseas firms.

40. In recent years approximately 25 per cent of the gross national product had been devoted to investment.

About one-third of the total had been invested by the Government, 10 per cent of the Federal budget having been appropriated for that purpose. Unfortunately, that was not apparent from the statistics given in the Report on the World Economic Situation, and perhaps a better picture would be obtained of Australia, and so far as possible of other countries also, if the study on investment he had suggested were undertaken. Neither could he agree with the Secretariat's adjustments to the statistics.

41. The crucial feature of Australia's development policy was the steady expansion of the manufacturing industries, without which it would be impossible to absorb a growing population at such a high rate. In the twelve months up to April 1955, factory output had increased by 5 per cent over the previous year, the present level having surpassed all previous ones. As a result of a decline in income from exports and a higher demand for imports, further restrictions had been necessary in order to protect monetary reserves and to safeguard, so far as was practicable, imports of essential raw materials and capital equipment. The Government had emphasized that the restrictions were intended to safeguard the balance of payments, and not as a substitute for protective tariffs. Of course, his country could maintain a high rate of development only if all others were able to do the same.

42. The present sheep population of 130 million was as high as it had ever been, and considerable funds were being devoted to scientific and technical research in the wool industry, as well as in many others. The control of the rabbit pest had resulted in an increase in the annual wool clip of some 10 to 15 per cent, and wool production was increasing. It was estimated that during the coming 25 years the number of sheep would increase to 220 million, and that the present area of 20 million acres under pasture would be extended to over 60 million. The foregoing facts were evidence of his country's desire to achieve a high rate of investment, so that standards of living might improve and the demand for goods and services of all kinds increase. If that policy were generally applied, world trade would reach undreamt-of dimensions, and with such a goal a few trade restrictions should not cause undue anxiety.

43. Australia attached a great deal of importance to the trade which had developed amongst members of the Economic Commission for Asia and the Far East (ECAFE) and hoped that it would be expanded in as many directions as possible. In addition to the numerous benefits resulting from such expansion, its importance to under-developed countries must be borne in mind. When the latter were carrying out a development programme calling for large-scale investment and changes in the traditional pattern of production, pressure on the country's balance of payments was probable; and when there was also fear, albeit sometimes exaggerated, of instability in the export market, it was tempting to fall back on bilateral trade arrangements which might be discriminatory. There was a special inducement to make such arrangements when the foreign exchange resources of a country were largely determined by the export of a single commodity, trade in which was at the time sluggish.

44. Though in the last resort it was for each country to determine its own trade policy, he would stress the need to remember the advantages of multilateral non-discriminatory trade. His Government wholly supported the passages in ECAFE's report bringing out that point.

45. Australia had taken an active part in and had supplied information for conferences to promote trade held under ECAFE's auspices. However, suggestions concerning inter-regional trade consultations had to be judged in the light of somewhat different criteria, and his Government was not satisfied that the benefits to be expected from the latter would prove commensurate with the effort involved. The aims of such consultation should be more clearly defined, and if some technical advantages might possibly be gained from an exchange of views and information about trade problems between experts of various regions, a thorough analysis of the ground that such a consultation should cover would nevertheless be necessary. The soundest policy was to aim at expanding world trade as a whole, and that would not be achieved by concentrating on trade between individual regions. The machinery provided for promoting world trade in the fullest sense already existed in GATT and the Commission on International Commodity Trade, reinforced as they were by the specialized agencies.

46. Since the war, his country had taken a prominent part through the Colombo Plan in assisting South-East Asia's brave efforts to modernize an ancient economic structure. Though Australia's main concern was bound to be with its own acute problem of development, and it had no reservoir of capital, because its rate of development and population growth exceeded the rate of capital formation, it had certain technical facilities which could be of some assistance. At the last meeting of the Consultative Committee of the Colombo Plan, in October 1954, it had been disclosed that total expenditure on development projects was approximately \$1,500 million, of which about 18 per cent had been financed from external aid through bilateral arrangements. The latter contribution was without commitment, and was planned to fit in with the policies of the recipient countries to ensure that development proceeded at a rate consistent with their administrative resources and aspirations and promoted the maximum initiative on their part. Such a plan, it might be assumed, would avert most of the social problems caused by over-hasty industrialization without adequate consideration of its impact upon the social structure. The countries concerned must set the pace and determine their own capacity for economic and social change. Members of the Council would surely agree that the United Nations and its specialized agencies should render the maximum assistance to ensure that the pace of progress satisfied the legitimate hopes of the peoples concerned.

47. Mr. NEBOT VELASCO (Ecuador) said that the *World Economic Report 1953-54* provided a comprehensive picture of the economic, trade and payments position of countries classified in three groups, and usefully dealt with those questions decisive for the world economy which fell outside the scope of the regional economic commissions. The supplementary document entitled *The Quest for Freer Trade* was also to be welcomed.

48. His country fully agreed with the proposition that expansion of trade would lead to higher levels of employment, better standards of living and an improvement in the situation of the under-developed countries, and sought to further those aims both on the domestic and on the international plane. Consequently, at the Conference of the Organization of American States in 1954 it had emphasized the importance of raw material exports and the need for co-operation if stability was to be achieved. Unfortunately, in spite of the efforts and declarations of principle made in various international bodies, the latter had not so far found much practical application, even in the short run. Concerted measures such as those carried out under the stimulus of OEEC, GATT and EPU should be encouraged, to enable some means to be found of achieving a more equitable distribution of wealth and fostering development in those countries whose position was particularly difficult owing to geographical and social factors.

49. International trade was absolutely indispensable to the progress of the under-developed countries, since they had no other means of acquiring consumer and capital goods. His Government hoped to continue its efforts to increase trade without adopting any discriminatory or restrictive practices, which could only serve to disrupt a policy of trade expansion. It was argued in the *World Economic Report* that it was impossible to abolish all trade barriers because of the lack of balance in the world economy, but unless that difficulty could be overcome, the fundamental economic aims of the United Nations could not be accomplished. One of the main reasons for the instability was the fluctuation in raw material prices, and countries experiencing payment difficulties inevitably tended to restrict their imports of consumer goods.

50. So far as his own country was concerned, it had increased its volume of external trade, avoided economic stagnation, increased *per capita* income and moved away from dependence upon a single agricultural product, thereby gaining greater stability. The value of cocoa exports had declined owing to a fall in demand, and coffee, rice and bananas had now been added to cocoa as the main items of export. A very high proportion of both export and import transactions had been conducted at the official rate of the sucre.

51. Although Ecuador's foreign trade had increased between 1949 and 1954, there had been some contraction of imports, owing to the fall in raw material prices that could have been avoided had there been better understanding between industrialized and under-developed countries. It was true that imports of capital goods had increased, but an analysis of his country's import figures for the years 1928, 1932, 1939, 1945, 1949 and 1954 would show that their ratio to imports of consumer goods had not risen.

52. Perhaps, instead of making recommendations for the abolition of barriers to trade, it would be more profitable to study the reasons for the fluctuations in the balance of payments of the under-developed countries. They were, of course, largely due to the failure to return to the multilateral exchange system of the pre-war period and to the development of synthetic raw materials. His country, as was clear from its legislation and econo-

mic practices, favoured unrestricted trade, and it would be interesting to see whether, when faced by a fall in its exports, it would be able to maintain that policy or whether it would be forced to join the majority of countries which practised some form of protectionism. Industrialized countries did not normally suffer from a chronic deficit in their balance of payments in the same way as did under-developed countries, and something must be done to safeguard the latter against the perpetual fluctuations in raw material prices which were so damaging, particularly to countries which were largely dependent upon exports of a single commodity. Their problem was particularly acute, since the rise in prices of raw materials had not kept pace with the rise in the prices of manufactured goods. The improvement in the *per capita* income of the industrialized countries had therefore been at the expense of the under-developed ones.

53. The International Bank for Reconstruction and Development and the International Monetary Fund, as well as other international institutions, had gone some way towards assisting the under-developed countries, and he hoped that it would be possible to establish something like EPU in Latin America. It had been stressed in the *World Economic Report* that the prevailing political tension was militating against stable economic relations, and he hoped each country would shoulder its responsibilities for lessening it.

54. The Economic Commission for Latin America had done most useful and constructive work in examining the problems of the Latin American countries, and his Government welcomed the studies on financing undertaken by the executive secretary at the request of member States. His own Government was considering the possibilities of increasing the country's output of electric power by 500 per cent over the next fifteen years, and intended to give priority to those important plans owing to the shortage of other fuels. It was also intending to build 2,000 kilometres of new roads; to increase exports by 200 per cent during the next six years; to

augment the supply of consumer goods; and to bring new land under cultivation as well as to enlarge peasant holdings by adding to them hitherto virgin land.

55. The social services had been greatly extended; a system of compulsory insurance had been introduced; minimum wages had been fixed; working hours were limited; and trade union rights guaranteed. One hundred schools were to be built, and a determined effort would be made to eradicate illiteracy. Enormous efforts had been made to overcome disease and geographical disadvantages, with very negligible assistance from foreign capital. His Government had stressed at the Tenth Inter-American Conference at Caracas that, although private foreign investment was important, public works should be financed with the help of international credit institutions.

56. Ecuador gave the same guarantees to private investors, whether domestic or foreign, and had ensured a favourable exchange rate for the latter. Although there had been no instances of expropriation, the danger of inflation was under control, and the currency had been healthy and stable, there had been little foreign investment during the past fifteen years. Clearly, it would be encouraged by the abolition of double taxation. His Government was aware of the need to maintain a sound level of savings and of the dangers of an inflationist policy based on a permanent fiscal deficit. The United States Secretary of the Treasury had recently commended the Government of Ecuador on the progress it had achieved over the past few years and on the wisdom of its policy.

57. In a spirit of sober optimism, he hoped that some of the recommendations formulated in the United Nations would be applied, and that Governments would abandon selfish economic policies in the knowledge that full employment and prosperity would be to the benefit of all.

The meeting rose at 5.30 p.m.