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President: Mr. Juan I. COOKE (Argentina)

Present:

The representatives of the following countries: Argentina, Australia, Belgium, China, Cuba, Czechoslovakia, Ecuador, Egypt, France, India, 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, Netherlands.

The 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.

World economic situation (*continued*): (a) Consideration of the world economic situation (E/2516, E/2557, E/2560, E/2578, E/2581 and Corr.1, E/2582, E/L.497); (b) Full employment: (i) Consideration of replies from governments to the questionnaire on full employment (E/2408/Add.13, E/2565 and Corr.1, E/2565/Add.1 to 7, E/2620 and Add.1), (ii) Reconversion after the rearmament period (E/2564 and Add.1 and 2), (iii) Measures to prevent possible inflation at high levels of economic activity (E/2563 and Add.1 to 3, E/2597); (c) Removal of obstacles to international trade and means of developing international economic relations (E/2549, E/L.613, E/L.614)

[Agenda item 2]

1. Mr. OZGUREL (Turkey) associated his delegation with the congratulatory remarks already addressed to the Secretariat concerning the high quality of the *World Economic Report 1952-53* (E/2560).

2. The Report and its supplements showed that further progress had been made in most countries:

production had reached new heights, the consumption curve was rising, and there had been no serious decline in employment such as might cause widespread unemployment. In the meantime, the trend of international trade had led to a measure of equilibrium in the balance of payments, and a number of countries had been able to build up substantial foreign exchange reserves. Certain countries had even advocated a return to general convertibility.

3. Whereas the period from 1950 to 1952 had been characterized by the instability and unevenness of economic conditions, 1953 had been marked by a tendency towards stability and recovery. Many factors were responsible for that improvement: among them, particular mention might be made of the marked increase in productivity; the measures introduced to stimulate consumption; the maintenance of a high, though falling, rate of military expenditure; the increase in fixed capital investment, especially in house-building; a more even distribution of demand among the developed countries; fiscal, budgetary and currency measures; United States military aid to foreign countries; and the severe import restrictions imposed on United States goods by certain countries.

4. But would that improvement in the world economic situation prove lasting? Some of the factors mentioned were certainly of a temporary nature, such as United States aid and off-shore orders and the import restrictions on United States goods. Actually, those factors concealed a persistent, if latent, dollar deficit in certain countries, despite the general improvement in the dollar reserves of various European countries.

5. On the other hand, some of the factors he had mentioned were continuing—for instance, military expenditure, capital investment and consumption expenditure—and were always calling for fresh action by governments. The important thing was to determine what part those factors would play in the future. The “cease-fire” in Korea had slowed down the growth of military expenditure, which had even declined in the United States of America, thus freeing substantial resources for other purposes. Henceforward, the trend of the economies of the developed countries would be determined by demand and not by supply. It was the factors on the demand side which would have to act as the stimuli for the increase in production that could alone prevent large-scale unemployment.

6. Difficult problems beset the under-developed countries also; they were so vulnerable on the world market that their development might be seriously jeopardized were their earnings from exports to decline as a result of an economic recession in the developed countries.

7. Measures to maintain world economic progress were therefore just as necessary in the developed as in the under-developed countries. Among the measures designed to solve the dollar problem might be mentioned, as indicated in the last report of the International Monetary Fund (IMF) (E/2496), the suppression of inflation, the maintenance of a high level of employment in the United States of America, the development of tourist travel, expansion of exports from countries members of the Organization for European Economic Co-operation to the United States of America, Canada and Latin America, and the maintenance of a high level of economic activity in both the developed and the under-developed countries. Further possible measures were increased foreign investment, the support of efforts to achieve non-discrimination in international trade, as made, for example, by the European Payments Union, and the intensification of attempts to achieve an integrated European economy.

8. With regard to the problems resulting from the decrease in military expenditure, the solution of those problems depended chiefly on measures designed to influence two factors: full employment and economic development—two factors which could not be separated, since full employment could be realized only in an expanding world economy, in which the under-developed countries were a vital factor.

9. With regard to full employment, the forecasts of economic activity in 1954 contained in the Report were generally encouraging. According to that document, the main industrial countries, and in particular the United States of America, expected to increase or at least to maintain their national production in 1954. It might also be anticipated that those same countries would suffer no reduction in their level of employment that year likely to result in widespread unemployment.

10. It was to be hoped that, despite the encouraging situation, the great economic Powers would take steps to ensure further expansion of the world economy; the Turkish delegation had noted with interest the assurances given on that score by the United States Government. Special efforts should be made to increase world trade. It was not enough simply to increase economic activity and output; it must be possible to sell the commodities produced on world markets if a dangerous accumulation of stocks was to be avoided.

11. With regard to the position in Turkey, the relevant chapter of the *Summary of Recent Economic Developments in the Middle East 1952-53* (E/2581) contained all the necessary information. The year 1953 had been marked in his country by further economic achievements, especially in industry, agriculture and mining; economic activity in general had been intensified in 1954. The national income had increased from 12,437 million Turkish pounds in 1952 to 15,140 million Turkish pounds in 1953; State revenue had risen by 300 million Turkish pounds in 1953 as compared with 1952, mainly owing to increased production and enhanced commercial activity. In 1953, such revenue had amounted to 1,959 million Turkish pounds, of which 561 millions had been allocated to investment. The recovery of agriculture had been promoted through the energetic policy pursued by the Government, which had introduced measures providing

for, *inter alia*, low-interest loans for farmers, increased mechanization, re-distribution of available land, increased use of chemical fertilizers, plant-disease control, price support for some kinds of farm produce, an increase in the area under cultivation by means of irrigation, income tax allowances in respect of agricultural produce, and other measures. The Government had also taken steps to prevent inflation; the budget deficit had been reduced to a minimum; an increase in the fiduciary issue had been avoided; and the communications system had been improved to ensure the rapid transport of produce; lastly, a balance had been established between the money in circulation and the goods and services.

12. Mr. HSIA (China) said that the free nations could not formulate their economic policies without taking into account the economic situation of the largest importing and exporting country in the world, the United States of America, where recent economic trends had given the outside world some cause for concern. At the 799th meeting of the Council, the United States representative had stated that, during the first quarter of 1954, the gross national product of the United States of America had averaged some 4 per cent less than in the record second quarter of 1953, while the rate of unemployment had increased from 1.8 per cent in October 1953 to 5.8 per cent in February 1954. That recession was primarily the result of the liquidation of stocks and reductions in Federal expenditure, combined with the slightly unfavourable turn taken at a later stage by investments in producers' durable equipment. Those engaged in economic planning in the outside world naturally wondered whether they should postulate a speedy economic recovery in the United States of America or prepare for a further deterioration. The more pessimistic went so far as to advocate an expansion of East-West trade, but his delegation was inclined to share the optimism of United States spokesmen.

13. The events of the previous few months justified the conclusion that the situation in the United States of America would constitute a threat to the economic stability of the outside world only if a number of unlikely conditions were fulfilled. As the United States representative had pointed out, the recent economic recession in his country was being checked. Since April 1954, unemployment had been levelling off, if not actually declining. Stocks were decreasing less rapidly, and the drop in Federal expenditure was being offset, at least partially, by increased spending at State and local levels. Morale in business circles was reported to be high. Consumption had been maintained at a high level through tax reductions and social security payments, and was showing signs of increasing, and there had been a record expansion in housing projects and building. Even if a depression developed, the United States Government would be able to take effective measures to fight it.

14. Again, only if the outside world were actually adversely affected would an economic recession in the United States of America represent a threat to prosperity. In fact, although United States imports in the first quarter of 1954 had been some 10 per cent lower than in the first quarter of 1953, the corresponding decline in the exports of Western European countries and their

dependencies had been only of the same order, and not 20 to 30 per cent lower, as most European economists had feared, and prices and production in Western Europe did not seem to have been affected to any appreciable extent. Instead of a tightening of import restrictions in Europe, the reverse had actually happened. Moreover, the crisis was already over, United States imports having begun to rise again in April 1954.

15. Before an economic recession in the United States of America could harm the outside world, it was necessary further to assume that that country would be unable to do anything to stem its spread abroad, and that the outside world would be equally powerless to combat it. Again, neither assumption was likely to prove true. Since the contingencies he had outlined were unlikely to occur simultaneously, or to get out of hand, his Government assumed that the United States economy would continue prosperous and stable. The contrary assumption might do much harm to all concerned.

16. The improvement in the foreign payments position of Western Europe was even more remarkable than that recorded in other sectors. It would be seen from the analysis given on page 102 of the *World Economic Report 1952-53* (E/2560), that Western Europe had had a favourable balance of payments in 1953. Although the balance of trade was still unfavourable, the deficit was more than offset by the surplus on service accounts. Moreover, the first signs for many years of the alleviation of the chronic dollar shortage were apparent. In 1953, Western Europe and its dependencies had had an overall payments surplus of 1,000 million dollars in respect of the United States of America. That surplus, combined with United States Government credits and grants, had boosted the monetary reserves of Western Europe by more than 2,000 million dollars in the same year. About one-half of the dollar surplus and the increase in the monetary reserves had been acquired by the sterling bloc, the other half accruing to countries of continental Europe. As a result, a return to convertibility was being seriously considered as a practical possibility.

17. The central economic objective of the under-developed countries, as originally formulated by the Economic Commission for Latin America, was to increase the ratio of investment to national income. The obvious method of doing that was by increasing the rate of savings, in which some countries had been successful. From the admittedly inadequate statistics given in the Report, it would be seen that a fairly constant ratio between the increase in savings and the national income had been maintained in selected Latin American countries from 1950 to 1952, that the ratio had risen in India in 1952 and 1953, and that in Japan the growth of savings had outrun the rise in the gross national product in 1953, although it had lagged behind in 1952.

18. Investment could also be stimulated by decreasing government consumption expenditure in relation to the national income, as had been done in most primary producing countries, including some which were not under-developed. That was true of India and certain Latin American countries, including Brazil, Chile, Cuba and Mexico. Countries whose national income had happened to decrease, such as Argentina, certain coun-

tries of the Far East, and countries burdened with heavy defence commitments, had not been able to apply that method.

19. The same end could be achieved if the physical volume of exports increased more rapidly than the national income. An improvement in the terms of trade would likewise stimulate investment. Indices of export and import unit values for primary producing and industrial countries were included in table 37 in the Report, the terms of trade of the primary producing countries as a whole being set out in table 55. If the Korean war years (from June 1950 to June 1952) were excluded as abnormal, instead of a deterioration of the terms of trade since the first half of 1951, a slight improvement over the level reached before that war was observable in the first half of 1953. A similar situation in Latin America was mentioned on page 135 of the Report. Finally, investment could be increased by attracting foreign capital.

20. In accordance with the analysis he had just made, the problems confronting the under-developed countries in 1952/1953 could be summarized as follows: in some countries, savings had been growing at a constant instead of an increasing rate in relation to the national income; in some Far Eastern countries, defence had been competing with industrial investment for limited financial resources; the quantum of exports of Latin American and Far Eastern countries was either not increasing, or not increasing quickly enough; the terms of trade of the countries producing agricultural raw materials had deteriorated; and the flow of private foreign capital and United States Government non-military grants and credits had slackened. It was necessary to point out, however, that a favourable over-all situation in the under-developed countries would not necessarily lead to an automatic increase in investment; it might simply result in an increase in monetary reserves, as had been the case in many countries where there were other factors impeding the progress of investment.

21. Speaking on item 2(b) of the agenda, he said that in under-developed countries, whose capital resources consisted mainly of a limited area of arable land, unemployment was governed by the lack of capital equipment rather than by any under-demand. That had been the experience of his Government in certain of the areas under its control. Seasonal unemployment did not constitute a problem for his Government, as the working population could be depended upon to adjust itself to the situation by its customary practices, but employment had to be found for an additional 300,000 persons a year, as a result of the natural increment and the arrival of Chinese nationals from the Chinese mainland and Hong Kong. The extent to which work could be found for them in agriculture and existing industries was slight, and the Chinese Government, like the governments of other under-developed countries, had no choice but to develop new industries. Difficulties, such as a shortage of raw materials and inadequacy of power and transport facilities, envisaged in the Secretariat's questionnaire on full employment, were not expected to arise in the implementation of the four-year plan for economic and industrial development drawn up in November 1952.

22. Present needs were for a larger international market and more abundant financial resources. While retail prices had hardly increased at all during 1952, they had increased by some 10 per cent during 1953 under the pressure of economic development, growth of population and defence expenditure. The measures taken by his Government to combat inflation were described in its "Reply to a *note verbale*" (E/2563/Add.3), but it had to be added that the application of those anti-inflationary measures often clashed with other economic objectives. A rise in the rate of interest, for example, affected the carrying costs of traders, as well as long-term investment, and recourse to an import surplus would result, in the absence of foreign aid and loans, in an unfavourable exchange rate and a general rise in the prices of goods. A stable rate of exchange, on the other hand, was liable to have an adverse effect on exports, the expansion of which was often essential to a developing economy. The "Analysis of replies to a *note verbale*" (E/2597) gave a correct analysis of the causes of inflation in under-developed countries, but a further study of methods of dealing with inflation, and the difficulties with which that process was often beset, might be useful.

23. Sardar Swaran SINGH (India) congratulated the Secretariat on the excellent and comprehensive documentation which it had prepared. The *World Economic Report 1952-53* (E/2560) showed that good fortune and planned endeavour had combined to make 1953 in many ways the most successful year since the war. There were other points of particular interest: the slackening rate of military expenditure made co-ordinated international planning of non-military investment and a rapid increase in consumption an urgent necessity; fluctuations in the economic activity of the United States of America would continue to have a far-reaching effect on the economy of a large part of the world; the resurgence of the German industrial potential could do much to offset the lack of balance created by the dollar shortage; and inelasticity of demand, combined with the instability of prices of primary products, continued to expose under-developed countries to economic upheavals which the industrially advanced countries would have to combat by concerted action in order to establish some measure of stability in terms of trade and to stimulate the flow of private investment.

24. The balance between inflationary and deflationary forces in the world as a whole was precarious. In some cases, consumption levels were barely being maintained, and at considerable sacrifice, and full employment was nowhere assured. The international economy was at present so delicately adjusted that a recession in any large industrial country involving a prolonged curtailment of its imports would cause serious difficulties for other countries both in maintaining employment at current levels and in preserving what balance their international accounts at present possessed. In under-developed countries, practically every sector of the national economy, and national planning, would be thrown out of gear.

25. It was stated on page 65 of the Report that, as a result of the fall in exports from Ceylon, Pakistan, Burma, Malaya, Indonesia and the Philippines "a substantial accumulation of inventories of export products took

place" in those countries. Behind that rather cold and technically worded statement lay an increase in the privations to which hundreds of millions of people already living at subsistence levels were subject, and a renewal of the balance-of-payments problems of the Governments concerned. The restriction of imports and the curtailment of public and private construction in those countries was a direct consequence of the decline in demand for their products, and the continuing deterioration of their terms of trade had aggravated still further their economic difficulties. A similar situation in the Middle East, with the exception of a few oil-producing countries, was revealed by the *Summary of Recent Economic Developments in the Middle East 1952-53* (E/2581).

26. The temporary improvement in the terms of trade of the more highly industrialized countries did not alter the fact that, if the purchasing power of primary producing countries was diminished, either through a decline in the demand for their products or through a worsening of their terms of trade, those countries would be forced to restrict their imports, with inevitable repercussions on the economies of the industrialized countries. Full employment in the industrialized countries depended on the maintenance and expansion of the purchasing power of the primary producing countries. So long as that problem was not clearly appreciated, and appropriate measures taken to solve it, the world economic situation would continue to give cause for anxiety.

27. The *Summary of Recent Economic Developments in Africa 1952-53* (E/2582) showed that there too the slump in raw materials had had harmful effects, although they had been mitigated to some extent by the sustained demand for minerals. His delegation had noted with satisfaction that in some, at least, of the territories of that great continent, which would soon play a role in world affairs commensurate with the numbers and resources of its peoples, the pace of development had increased during the period under consideration. The Secretariat was to be commended on the excellent report on the *Enlargement of the Exchange Economy in Tropical Africa* (E/2557) produced in compliance with Council resolution 367 B (XIII). That report took note of the spread of commerce and salaried employment, but did not attempt to assess its consequences for the social and economic structure of African communities, which needed to be carefully watched, since indiscriminate and unplanned penetration of the countryside by urban elements could disrupt the unity of African society.

28. The Indian Prime Minister had defined the main objectives of Indian economic policy and the country's five-year plan as spiritual as well as material. In the *World Economic Report 1952-53*, attention had been drawn to the sizeable increases that had occurred in agricultural production in India during 1953. He was happy to report that those increases had so far continued into 1954. Production of cereals had increased in 1953 by 5 million tons, 2.7 million tons of which represented rice alone. Preliminary estimates for the year ending June 1954 put the output of food at from 6 to 7 million tons more than in the previous year. There had been a resulting decline in food imports, thus improving the balance-of-payments position and leading to a fall in food prices.

29. He would be glad to communicate to the Secretariat revised data on the trend of industrial production in India. The industrial production index for February 1954 had been almost 45 per cent higher than in 1947, although some industries had had to face special difficulties in 1953, mainly because of a decline in demand.

30. The Report noted an increase in urban unemployment in India as a result of a relatively high increase in productivity in factory industry and a decline in output from small-scale industries in 1952, and especially in 1953, despite increased production in large-scale industries. It was impossible to convey with any precision the magnitude of the increase in unemployment in a country such as India, where it was endemic. The problem was constantly under review, and attempts were being made to solve it by stepping up planned expenditure and assisting private enterprise.

31. The five-year plan entailed additional expenditure of some 350 million dollars to cover the development of refugee townships, a new road-making programme, the construction of office and residential buildings and ports and harbours, the promotion of health schemes, loans to States to enable them to undertake permanent improvements in areas of chronic want, and additions to the programmes of State governments. Other projects included financial assistance in setting up State financial corporations, the installation of thermal power plants and the development of cottage and small-scale industries.

32. The Report noted an appreciable increase in public investment throughout the period, accompanied by a sharp fall in private investment in 1953, and stated that, whereas fixed capital investment had remained at about the same level in 1952 as in 1951, there had been a substantial decline from 1952 to 1953. His delegation wished to point out that no such conclusions were possible on the basis of the information available. The Indian National Income Committee had concluded in its second report, recently issued, that it was not yet possible to estimate the provision for depreciation, consumer expenditure, gross private domestic capital formation and private savings.

33. The Government of India was at present studying a report issued by an expert committee of leading economists, business men and industrialists, which had been set up to examine methods of stimulating private investment.

34. India had maintained stability in prices and costs despite the fact that during the past year virtually all controls and rationing had been abolished and large sums of money had been spent on economic development. The rise in wholesale prices and in the cost of living in 1953, as compared with 1948, was among the lowest in a large selection of highly developed countries. A credit balance of 23 million dollars had been achieved in 1953, as against the adverse balances of 1950 to 1952.

35. The National Extension Service and Community Development Projects were silently transforming the Indian countryside. At the end of the five-year plan (1955/56) it was expected that 1,200 blocks, comprising nearly one-quarter of the entire population, would have come under that programme. The total outlay on the

plan, originally estimated at some 4,150 million dollars, would be increased by another 350 million dollars, most of which was to cover expenditure to be incurred in the current year. In the last two years of the plan the tempo would be speeded up, so that the targets could be reached.

36. The Indian Government was about to set up an industrial development corporation to stimulate the flow of capital to new industries, and was exploring the possibility of establishing, with the co-operation of private interests and the International Bank for Reconstruction and Development (IBRD), another corporation to promote the expansion of industry. Both the Central and the State Governments were already at work on the blue-print for the second five-year plan.

37. Appreciable success had been achieved in the advance to full employment, despite the heavy incidence of seasonal occupations in India. The progress achieved in the fight against inflation was reflected in the report of the International Monetary Fund (Bernstein) Mission on Economic Development with Stability, issued in February 1954.

38. Despite the reactions evoked during the discussions at the sixteenth session of the Council, the Indian delegation was still of the opinion that General Assembly resolution 520 (VI) provided sufficient authority for the creation of a special United Nations fund for economic development and an international finance corporation. If there were weaknesses in such concrete proposals, the thing to do was to eliminate them instead of making them an excuse for evading the issue. If but a fraction of the energies devoted to the pursuit of armaments were diverted to the purposes of peace, it would suffice to remedy much of the misery which was the real cause of war. He appealed to the industrially advanced and technologically rich countries to move in that direction. His delegation proposed that the Secretary-General should be requested, in conformity with Council resolution 483 B (XVI), to have a detailed study made by a committee of experts of the problems involved in reconversion, as they emerged from the replies of States Members of the United Nations on that subject.

39. Great benefits were to be derived from free trade, and although a country such as India was compelled to protect its developing industries, he appealed to all countries to work for greater liberalization through the General Agreement on Tariffs and Trade.

40. Mr. Said HASAN (Pakistan) said that the purpose of the discussion was to assess the economic progress made by the world during the previous year. For him, that was the world of the unfortunate peoples known as the under-developed countries.

41. The last report (E/2553) of the Economic Commission for Asia and the Far East (ECAFE) dealt piecemeal with the situation in that region without attempting a collective diagnosis of its economic life. Casual remarks, such as, for example, that the withdrawal of food subsidies in certain countries had led to reduced consumption, epitomized a grim story of human suffering. Reference was made to import controls imposed with the object of restoring the balance of payments, but it

would be profitable if ECAFE were to study the effect of such measures on the standard of living of the peoples concerned. The world, after all, consisted mainly of people who led such marginal lives that a minor economic fluctuation might subject them to quite disproportionate suffering.

42. After listening to the cheerful narration of the economic achievements of several great countries of the world, it was painful to him to be obliged to strike a very different note. There was, however, incontrovertible evidence that the economic situation in Asia and the Far East had seriously deteriorated. The export earnings—upon which the purchasing power of the peoples in that region depended—of the thirteen ECAFE countries had fallen from 783.1 million dollars in January–June 1951 to 451.5 million dollars in January–June 1953. In the corresponding periods, the figures for Western European countries and their dependencies had risen from 559 million dollars to 10,267 million dollars. It was not surprising, therefore, that in the *World Economic Report 1952–53* (E/2560), which on the whole reflected the situation in the highly developed countries, there should be a distinct note of optimism, whereas through the survey on South and South-East Asia there ran an undercurrent of gloom and frustration.

43. The year 1953 was described as one of the most satisfactory for world economy since the war; but the under-developed countries had not shared in the general prosperity. The purchasing power of their peoples had fallen; government revenues had declined; and equilibrium in their balances of payments had been achieved only by holding imports at a low level. The terms of trade, which in those countries were a particularly important index of prosperity, had notably deteriorated in the previous three years. Taking 1950 as the base year, the index for Ceylon had fallen to 79 in the first half of 1953, the corresponding figures for Indonesia and Pakistan being 82 and 58 respectively. Although in absolute terms the volume of exports had risen appreciably, earnings had fallen by almost 35 per cent.

44. In 1950, many countries in the ECAFE region had launched programmes of economic development, the modest aim of which amounted to little more than to maintain the existing standard of living. Prospects of success had seemed promising until the Korean war, and the consequent stock-piling programmes of the Western countries, had changed the whole economic picture. The foreign earnings of the primary producing countries had risen sharply as the prices of raw materials had soared. At the same time, however, a shortage of equipment and capital goods had developed. The pent-up demand for consumer goods in the under-developed countries had been so insistent that a large part of the newly acquired resources had had to be spent on such imports. The result had been a serious decrease in resources available for development purposes, a situation that had been aggravated by the fall in commodity prices that had followed the Korean cease fire. Many countries, including his own, attempting to maintain their development programmes, had been obliged to curtail consumption, with unfortunate effects on an already low standard of living. As a result, there was an acute sense of frustration in a generation which had believed

that political emancipation was the prelude to economic prosperity, a frustration that might well make the peoples, in despair, turn to subversive ideologies.

45. His Government was determined to maintain the pace of its six-year development plan. Several new hydro-electric and thermal power plants were planned. New textile mills were being built with the aim of achieving a measure of self-sufficiency in textile goods double that which obtained at the time when the country won its independence. It was expected that Pakistan would become an exporter of jute goods by the end of 1954, by which time it would also be self-sufficient in paper.

46. An Industrial Development Corporation had been set up to develop industries of national importance for which private investment was not available. There were also industrial and agricultural finance corporations to help the private investor in those sectors. He would emphasize that the intention was to entrust the industrial sector to private enterprise as soon as possible.

47. Referring to a remark about “uncompetitive industries” made by the Norwegian representative at the 801st meeting, he pointed out that in that respect the under-developed countries were in a cruel position. Faced with the choice between setting up, say, a pharmaceutical industry, however uneconomic its operation, in order to satisfy the essential medical needs of the population, on the one hand, and depriving them of life-saving drugs which could not be imported, on the other, how could any government hesitate?

48. With regard to full employment, whereas the major consideration in the developed countries was to provide an adequate level of income in order to stimulate idle manpower capacity, the problem of the under-developed countries was that of finding means to exploit latent resources, thereby providing fruitful employment for their peoples. The tragedy of the under-developed countries was that their physical resources had not been harnessed to the service of their peoples. The developed countries, on the other hand, feared that their means of production might in certain circumstances be made redundant. It was the problem of wedding the desert to the waterfall. In his own country, with a population of 76 million and an annual increase of 300,000 in the labour force of 22.7 million, an annual investment of 3,000 million dollars would be required to maintain full employment at existing standards of living. The only means of tackling that problem at the national level was by deficit financing, with consequent hardship to the people, for it involved for a certain period an inflationary potential from which the poorer sections of the community naturally suffered worst. If, however, a significant proportion of economic development were financed from external sources, inflationary pressure could be controlled, for more of the country's foreign exchange resources could then be spent on the importation of consumer goods, thereby offsetting external inflation. The only way of channelling foreign capital into the under-developed countries was through national governments or an international finance institution.

49. The reports under review showed clearly the sensitivity of the economies of most of the countries of the world to economic fluctuations in individual countries. Even

the most highly developed countries were not immune, and there was widespread anxiety about a possible recession in the United States of America. He could not share the optimism of the United States Government, which seemed to face with equanimity the prospect of 2.5 million unemployed in 1955, for the sterling area had painful memories of what had happened when the United States economy had failed to register an upward trend, let alone any significant decline.

50. There was a paramount necessity for the more developed countries to maintain their economic activity at a high level and thus spare the primary producing countries the distress of cutting their income and employment. The documents indicated that in most of the developed private enterprise countries the increase in output in 1952/53 was not expected to recur in 1954. One reason for that might be that the levels of internal consumption and exports were not sufficiently high to sustain economic activity at the 1953 level.

51. The Pakistan Government was determined to deploy all its efforts to raise the standard of living of its people, but it was an inescapable fact that the economic development of such countries as Pakistan was beyond the scope of national governments. It was in truth an international problem, with two aspects that had to be matched. The under-developed countries were waiting for capital to irrigate their arid lands, whereas the more developed countries feared future unemployment. As he saw it, the only solution was to encourage the flow of capital from the latter to the former, which would raise the general economic level in the world to the benefit of all mankind.

52. Mr. MONTOYA (Venezuela), quoting the terms of General Assembly resolution 118 (II) on reports on world economic conditions and trends, said that it was in pursuance of the directives given in that resolution that the Council was once again undertaking a survey of the world economic situation with a view to formulating appropriate recommendations. Most valuable documentation had been prepared by the Secretariat.

53. Despite the fact that in 1953 the economic situation had been relatively satisfactory in the developed countries, a slacking in economic expansion and a reduction in investment activity had occurred in the countries still in process of development. Thus, the countries of Latin America had had to face a collapse in the world prices of their main exports. In 1953, the downward trend of the prices of wool, leather, sugar and cotton had been accentuated, with the result that the volume of exports had shrunk and stocks had piled up. As such accumulation, however, could not go on indefinitely, surpluses had had to be liquidated at even lower prices, thereby further weakening the import purchasing power of the countries concerned. Coffee, however, for special reasons, constituted a noteworthy exception. Similarly, the world prices of certain other Latin American products covered by special agreements had followed an independent trend, as in the case of sugar exports from Cuba to the United States of America. The demand for non-ferrous metals had also fallen off in 1953, Mexican lead and zinc and Chilean copper having been particularly affected.

54. The Far Eastern countries had been similarly affected by the fall in raw material prices.

55. The shrinkage of foreign currency reserves consequent upon that situation obviously required a curtailment of imports, particularly of capital goods, so that the development of production was slowed down as well.

56. All that demonstrated the interrelation between the economies of the various countries, in view of which the Council would no doubt see fit to recommend measures to protect the economies of primary producing countries, without, however, thereby prejudicing those of the industrialized countries.

57. The Venezuelan delegation attached particular importance to a concerted study of world economic problems as a whole. The task was a great one in which all must pull together, since the prosperity of the whole world depended on it.

58. The relatively satisfactory state of the world economy in 1953 appeared to be but transient, and it might prove more difficult in the comparatively near future to maintain full employment. Since their economies were essentially vulnerable, the under-developed countries would be the first to suffer from a decline in economic activity. The fact must not be overlooked, however, that the economic policies of certain developed States were the underlying cause of the fall in raw material prices.

59. While his delegation did not wish to appear unduly pessimistic about economic prospects, it must not be forgotten that during the economic slump of 1929 to 1932 the United States of America had been obliged to cut its imports from Latin America by 68 per cent — a state of affairs which had produced a chain reaction in other countries.

60. As already stated in the *World Economic Report 1949-50* (E/1910/Rev.1) the development of the under-developed countries remained the most important single long-term economic problem facing the world.

61. The raising of economic and social levels in the less developed countries could not but serve the economic interests of the industrialized countries, for only the countries in process of development provide an expanding market for the goods produced by the industrialized countries. The progress made by certain less developed countries during the past few years was due to a relative improvement in the terms of trade since the Second World War. There was no doubt that an influx of foreign capital could speed up the economic development of the under-developed countries, a point his delegation had already stressed in the United Nations and at the tenth Inter-American Conference in Caracas.

62. The Council could and should take concrete measures to promote the investment of foreign capital in the countries most in need of it. Furthermore, the creation of a special United Nations fund for economic development would help to maintain an adequate rate of expansion in the less developed countries and protect them from the economic difficulties caused by slumps in raw material prices. It was essential that, for their part, the countries in question should provide adequate safeguards

for foreign capital; his own country had already adopted far-reaching measures to that end.

63. It was also essential to ensure that foreign capital did not oust domestic capital, and action to that end would do much to prevent an atmosphere of mistrust from developing in the recipient countries.

64. Despite their difficulties, the under-developed countries had made substantial progress in production. His own country, for example, had succeeded in substantially increasing its output of goods for export. During the past five years, Venezuela's industrial output (excluding petroleum) had increased by 94 per cent, while its exports to the United States of America had reached a value of 573 million dollars, as against a figure for imports from that country of not more than 500 million dollars. The surplus of foreign exchange thus acquired had been used for importing industrial goods essential to national economic development. It was to be hoped that that trend would continue.

65. Venezuela's crude oil production was 24 per cent higher than five years ago, and its output of refined petroleum products 246 per cent greater. Agricultural production had risen by 43 per cent over the same period. Such results had been made possible by the income from the export of petroleum products and by the Government's policy of promoting economic development by every possible means and, in particular, by providing every safeguard for foreign capital, according complete freedom of transfer and absolute equality of treatment between domestic and foreign capital.

66. Agriculture and stock-farming were developing at the same time as the iron and steel industry and electric power production, and the Government was launching a large number of projects, including road-making, building and electrification, thereby ensuring full employment for both indigenous and imported labour.

67. Since the war, unemployment had been unknown in Venezuela, and the Government was keeping a sharp eye on the balance between manpower supply and demand. The International Labour Organisation had despatched a mission to Venezuela to study the influence of imported and technical manpower on the national labour market.

68. Finally, he would like to recall in broad outline the measures already advocated by the Venezuelan delegations at the tenth Inter-American Conference and the Council's seventeenth session. First, it was necessary to maintain raw material prices at a remunerative level and, to that end, to remove obstacles to international trade. Secondly, countries wishing to attract foreign investors must eliminate double taxation and make it possible for capital to be transferred. Thirdly, foreign investment in developing countries must be encouraged, those countries themselves being responsible for offering sufficiently attractive safeguards and terms; in that connexion, the establishment of a special United Nations fund for economic development would be of great value. Fourthly, care must be taken to prevent such foreign capital from supplanting domestic capital. And, lastly, the underdeveloped countries should be provided with the necessary technical assistance to speed their development.

69. Mr. EL-TANAMLI (Egypt) congratulated the Secretariat on the quality of its documentation on the

world economic situation. The Egyptian delegation could state with pleasure that the *Summary of Recent Economic Developments in the Middle East 1952-53* (E/2581) was entirely satisfactory that year. On the other hand, it had certain comments to make concerning the *Summary of Recent Economic Developments in Africa 1952-53* (E/2582): The latter document contained factual information rather than an economic analysis. Moreover, the information about certain countries was sometimes misleading; for instance, the data given on page 34 and in table 15 of the report should clearly be interpreted in the light of the figures on pages 16 and 33. Again, although the introduction to the report mentioned the differences in economic trends between the Sudan and the rest of Africa, the Egyptian delegation regretted that the Sudan had not been given a separate chapter. In short, his delegation would like the Secretariat to give as much attention to the economy of Africa as to that of other regions.

70. However, the Secretariat studies as a whole certainly enabled the Council to take the action incumbent upon it under the United Nations Charter.

71. He wished also to reiterate that the reports on the world economic situation should be discussed at the same session as the reports of IMF and IBRD, so that the Council could frame recommendations for those two agencies, which could then act to some purpose.

72. The *World Economic Report 1952-53* (E/2560) stated that 1953 had been one of the most satisfactory years since the Second World War; there had been an increase in production and consumption, a fairly satisfactory level of employment, and a lessening if not a disappearance of inflationary pressures, together with some stabilization of international trade. That conclusion confirmed the findings in the most recent report of IMF (E/2496). During the discussion of that report at the seventeenth session, he had pointed out that signs of increasing economic stability, both national and international, had begun to appear in 1952, accompanied by a change in the balance-of-payments trend in the United States of America, with the result that the dollar shortage problem had become less acute.

73. At that time, he had entertained hopes of a return to convertibility, while recognizing that the encouraging situation did not imply a final restoration of stability at maximum economic activity and employment. He had also stressed the fact that to counteract the inflation caused by the war in Korea and ensure the equilibrium of their balance of payments, the under-developed countries had been obliged to impose restrictions detrimental to their standard of living and economic development. The hopeful signs he had mentioned included the liberal trends of certain countries; he had also asserted that it was essential to encourage the development of production and trade in all countries by means of appropriate trade policies, and that in investing United States capital abroad account should be taken of the needs of the under-developed countries.

74. The encouraging information contained in the present Report led the Egyptian delegation to stand by those views. However, 1953 might prove to have been the prelude to difficulties comparable to those encoun-

tered by the world economy in 1949 after the expansion of 1948; actually, 1954 had already been marked by employment and investment problems in certain countries.

75. The economic situation in the under-developed countries had not followed the same course as the world economic situation in 1953; in fact, those countries had been able to achieve stability only at the cost of heavy sacrifices and a certain retardation of their economic development.

76. It could thus be concluded, first, that the world economy was constantly subject to more or less violent cyclical movements; secondly, that the more highly developed countries were at the mercy of a serious decline in the level of economic activity and employment; and thirdly, that the under-developed countries were beset by grave difficulties in their attempts to achieve satisfactory economic development and social progress.

77. He proposed to take the situation in Egypt as an example. In the first place, it was interesting to note that the economy of the under-developed countries had followed a fairly uniform course since 1950. Only the relative degree of economic development, the volume of foreign trade and the policies pursued by their Governments had mitigated or aggravated in the various countries the effect on their economies of the drop in raw material prices.

78. It was, however, possible to discern the general trends which had emerged in those countries following the large-scale purchases of raw materials after the outbreak of hostilities in Korea. The falling-off in revenue from foreign trade due to the unfavourable turn in the terms of trade, and financial difficulties, had appreciably slowed down public and private investment.

79. Again, the steps taken by the under-developed countries to restore the equilibrium of their international accounts had led to a contraction of economic activity, accompanied in some instances by marked deflation or by a persistence of inflation. Thus Egypt and the Sudan, which were both dependent on their foreign trade, had suffered as a result of economic developments since 1951, especially on account of the fall in the price of cotton. Egypt's balance had then showed a deficit of 55.4 million Egyptian pounds, whereas previously the deficit had never been known to exceed 20 millions. In the same year, the Sudan deficit had been 18 million pounds, while the value of exports had not even reached 43 millions.

80. According to the President of the Egyptian National Bank, 1953 had been a year of economic recovery and stabilization. The economic machinery at present allowed a certain amount of play which enabled adjustments—as necessary as they were beneficial—to be made, internally as well as externally. Actually, 1953 had been a fairly prosperous and relatively stable year for the Sudan.

81. The improvement in the economic situation in Egypt was due to the cut in imports and the liquidation of cotton stocks. The adverse balance of trade, which in 1952 had amounted to 72 million pounds, had been reduced to 38 million pounds in 1953, a figure regarded

as normal since 1948. The balance-of-payments deficit in 1953 had not exceeded 8.3 million pounds. During the first quarter of 1954, the trade balance had shown a surplus of 14 million pounds, as against a deficit of 6 million pounds during the corresponding period in 1953. To achieve that result, imports had been curtailed and agricultural policy had been directed towards the production of cereals—the main imported commodity.

82. Industrial production had shown an upward tendency in 1952 and 1953. On the other hand, investment had weakened somewhat, though that trend did not appear to be persisting in 1954.

83. The section dealing with Egypt in the *Summary of Recent Economic Developments in the Middle East 1952-53* (E/2581) gave a satisfactory account of the efforts made since 1952 in economic, industrial and agricultural development. The most important hydraulic scheme provided for a plant to be constructed 6 kilometres above Aswan, with a capacity of 135 million cubic metres. Once it was installed, the area under cultivation could be increased by one-third, and the plant would also produce 6,000 million kWh of electric power a year. Egypt hoped that, in the spirit of the recommendations of the Council and the General Assembly, the scheme would be backed by IBRD, to which it had been submitted.

84. The Egyptian people, like other relatively undeveloped peoples, was ready to accept any sacrifice to attain its economic and social objectives; at the same time it must be emphasized that the economic development of the less developed countries was a matter of equal concern to the industrialized countries.

85. It must not be forgotten that present-day political, economic, social and technical problems had little in common with those of past centuries. The economic experience of the last war showed that the mildest political crisis, or any sign of an easing in international relations, had great influence on the world economy, and the same was true of social affairs.

86. All structural changes of that kind gave a new meaning to the evolution of the world economy and the concomitant long-term problems, and called for concerted action by the nations to ensure regular, steady expansion.

87. The Belgian representative had observed during the discussion that mass psychology today would not accept the consequences of a serious recession. He personally would add that the masses were becoming aware of long-term economic problems and of the vast avenues opened up by the economic development of the under-developed countries.

88. The Egyptian Government believed that the Council's immediate objectives should be full employment and economic expansion, and that the solution of economic problems depended upon the course of international trade and exchanges, including the movement of public and private capital. It hoped that the economic, fiscal and commercial policies of the great economic Powers would be worthy of the influence they exerted on the world economy. It also hoped that the programmes for international assistance would be radically revised by the United Nations in the light of purely economic and pacific considerations.

89. The Egyptian Government further believed that there was an urgent need to establish a special fund for economic development and an international finance corporation, as well as to broaden the scope of the Expanded Programme of Technical Assistance. Another vital necessity was the development of trade among the under-developed countries. However, the main object of any concerted action by the latter must be the improvement of their terms of trade with the industrialized countries.

90. In short, the principles of economic co-operation laid down in the Charter must be put into practice as

rapidly as possible. The Council's task was to remind the peoples of the world that economic and social progress could be achieved only in a peaceful atmosphere. In addition, the Council must translate into deeds the very valuable resolutions it had adopted, in many cases unanimously. Finally, under the supervision of the General Assembly, it must ensure that the specialized agencies were in a position to acquit themselves of their responsibilities, while at the same time helping them to co-ordinate their activities.

The meeting rose at 6 p.m.