



CONTENTS

	Page
Agenda item 2:	
World economic situation (<i>continued</i>)	63

President: Sir Douglas COPLAND (Australia).

Present:

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

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

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

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 Civil Aviation Organization, International Bank for Reconstruction and Development, International Monetary Fund.

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. BAKER (United States of America) expressed appreciation for the Secretary-General's excellent introductory statement to the debate. It was entirely appropriate that the United Nations Secretariat should be represented at the highest possible level during the Council's discussion of so important a subject as the present item.

2. Looking back over the past ten years it was clear that the work and achievements of the United Nations and of such agencies as the International Bank for Reconstruction and Development, the World Health Organization and the Food and Agriculture Organization represented a real, though unmeasurable, contribution to the attainment of better standards of living throughout the world.

3. During that period most countries had been concerned with repairing the havoc of war and with accelerating the economic development of under-developed countries. Now the economic skies in the free world at least—the only part of which it was possible to speak with knowledge—were as bright as or brighter than they had been for a generation. Reconstruction had been virtually completed; monetary stability had been largely restored; production far exceeded pre-war levels; and in many countries real incomes were on the upgrade. Finally, the widespread controls, which had tended to stifle individual enterprise, were being progressively removed. Substantial progress was also being made in the under-developed areas, although complex and difficult problems remained to be dealt with. Indeed, he knew of no other decade in history which showed a comparable rate of development in those countries. What had formerly taken centuries to achieve was now being achieved in decades or less.

4. The advances made were remarkable in view of the tremendous burdens inherited from previous wars, as well as those which it had been necessary to assume in order to prevent future wars. Even greater economic improvement for all peoples could surely be looked for, particularly if the threat of war could be banished from the face of the earth. The fact that the urgent desire for economic improvement was universal made it essential that the United Nations and its associated bodies should provide a meeting ground where countries could work together to fulfil their just aspirations.

5. In the matter of recent economic developments, during 1954 and the early part of 1955 most industrial countries had enjoyed full or nearly full employment. Moreover, in many of those countries workers were enjoying a rising share of the benefits of increased production. Post-Korean economic readjustments in the United States had proved hardly more than a brief interruption to that country's remarkable economic growth since the war; nor had they had the unfavourable repercussions on the rest of the free world that many had expected. Western Europe had continued to demonstrate its growing economic strength by lifting its industrial production 8 per cent above that of 1953. In Latin America generally, production had continued to increase, and the foundations for further industrial and agricultural expansion had continued to be laid. There, as also in Asia and many parts of Africa, agricultural and industrial development programmes were reaching a point where tangible returns could be expected, although their full effects could not yet be seen in view of the basic and long-term nature of so many of the projects.

6. During 1954 the volume of international trade had reached record levels. The world generally had also

continued to move towards a healthier pattern of trade, owing in large part to the continued growth of production in western Europe. The free world's overwhelming economic dependence on the United States had been further reduced. The monetary reserves of countries other than the United States had continued to increase. The average price index for primary commodities had been relatively stable. The general balance-of-payments situation had continued to improve to the point where there was, as the *World Economic Report 1953-54* (E/2729) noted, a growing tendency to dismantle part of the non-dollar nations' machinery of international trade controls. In general, internal financial and price stability had continued to improve; while inflationary forces had not yet been brought fully under control in some areas, many countries had shown greater readiness to promote stability by wise use of the powerful instruments of monetary and fiscal policy.

7. As far as his country was concerned, he recalled that during the debate on the world economic situation at the eighteenth session, the United States representative had analysed the forces operating in the United States economy during 1953 and the early part of 1954, which had resulted in a heavy decline in defence and inventory spending.¹ By the spring of 1954 those readjustments had run their course, and for the next few months the United States economy had moved on an even keel. Then the forces making for further growth had asserted themselves and gathered strength, and the slack created by the reduction in defence expenditure and the liquidation of inventories had been taken up by increased expenditure in other directions, particularly on consumer goods and housing. The Federal Government and the Federal Reserve System had taken steps in the fiscal and monetary fields to promote expansion. Taxes had been reduced early in the year and legislation providing for increased social security payments became effective towards its end. Federal reserve banks had lowered their re-discount rates and had reduced reserve requirements for member banks. Residential construction had been encouraged and mortgage financing made available on more liberal terms. A vigorous demand for new motor cars, together with the growing requirements of the construction industry, had helped to spread the recovery into almost all segments of the economy. During the past six months business activity had been advancing on every front. It was significant to note, moreover, that throughout the period of economic readjustment the level of personal incomes had been maintained and even somewhat increased, thereby helping to keep up consumer demand.

8. Most responsible opinion in the United States was also confident about the immediate future course of business activity. The base of business expansion had now become so broad that, even should some decline develop in particular industries, it should have a comparatively slight impact on total economic activity. Furthermore, many industrial sectors, including iron and steel, were to increase their capital investment in 1955 above the 1954 level.

9. He also had the utmost confidence in the long-term

prospects for the United States economy. The factors which warranted that confidence had also been discussed by the United States representative at the eighteenth session.² They included the rapid growth of population; the long-term need for large amounts of basic construction in such sectors as transport, housing and education; the potentialities of the expanded programmes of scientific and industrial research; the high quality of United States business and labour leadership; the incentives of the free enterprise system and the readiness of the United States Government to encourage and support individual initiative; and, embodying all those factors, the continued rise in productivity.

10. The people of the United States of America were increasingly aware that their future was intimately affected by economic events in other lands. Other speakers had referred to the impact on their countries of economic developments in the United States. In that interdependent world the United States realized, first, that it could best contribute to world economic stability by maintaining a high level of economic activity at home and, secondly, that it had a positive and deeply rooted interest in the economic well-being of the free world.

11. The main points in the United States administration's programme to maintain economic growth at home were contained in the President's economic report to Congress in January 1955, and were also listed in the United States reply to the Secretary-General's questionnaire on full employment (E/2726/Add.1).

12. The major elements in the United States foreign economic programmes, designed to stimulate economic growth in the free world, were the extension—now enacted into law—for three years of the President's authority to negotiate reciprocal tariff reductions with other countries; the proposal to join the Organization for Trade Co-operation; further simplification of United States customs procedures; measures designed to stimulate the flow of international private investment, including proposed United States membership of the International Finance Corporation; encouragement of travel abroad by United States citizens; United States participation in overseas trade fairs; continued participation in technical assistance programmes; greater use of the Export-Import Bank to finance sound development projects when financing by private capital or the International Bank for Reconstruction and Development was not available; and continued co-operation in the economic development of under-developed countries.

13. The people of the United States would rejoice if a lessening of international tension made it possible to turn additional resources and energies from defence to the promotion of economic well-being and loftier cultural and spiritual levels. Obviously the substantial reduction of armaments required collective arrangements in which the participating nations had full confidence. The United States had already made many efforts to bring about such arrangements and, as the President had emphasized, would continue to explore every avenue that might lead towards a more peaceful world.

14. In no field was the contrast between the potentialities of resources devoted to instruments of warfare and

¹ See *Official Records of the Economic and Social Council, Eighteenth Session, 799th Meeting, paras. 14-18.*

² *Ibid.*, para 23.

resources devoted to peaceful uses more striking than in the field of atomic energy. He did not need to enlarge on the horrors of atomic warfare. As regards the peaceful uses of atomic energy, the conference which was shortly to be held in the Palais des Nations would undoubtedly attest to the fact that many countries were engaged in what was likely to become increasingly fruitful research and development work in that field. In an address delivered on 11 June, President Eisenhower had drawn attention to estimates that world sources of uranium potentially available contained as much as twenty times the energy of the world's known reserves of coal, petroleum and natural gas combined, at the same time pointing out that power was only one of the results of nuclear fission and that many engineers and scientists believed that radiation and radioactive isotopes might provide even greater peace-time benefits. The President had also outlined the steps the United States was taking to promote the development of nuclear energy for the general benefit of mankind, by offering research reactors to the peoples of the free nations and making available, within prudent security considerations, to the peoples of such friendly nations as were prepared to invest in power reactors, access to and training in the technology of construction and operation for peaceful purposes.

15. In the meantime, the United States was doing its utmost to ensure that an international atomic energy agency would be in operation as soon as possible, and it sincerely hoped that the Soviet Union would eventually decide to participate in it. The purposes of the proposed agency would be closely related to those of the United Nations, and above all to those of the Economic and Social Council. The United States hoped that, if and when the agency was established, that relationship would be formally recognized in its statutes. Progress in solving the many technological and economic problems which would arise could be promoted by effective international co-operation in the exchange of knowledge and information, training in the necessary skills and intelligent planning in the use of resources. The framework for that international effort was being rapidly established, and the United Nations, together with the Council, as its principal co-ordinating body in the economic and social field, would have a vital role to play in it.

16. Meanwhile, the United States had entered into a number of bilateral agreements, and was negotiating more, under which other nations would participate with it in the task of promoting peaceful atomic development.

17. Under the United Nations Charter, it should be the common goal of all Member States to banish force and the threat of force as an instrument of national policy. As members of the United Nations, they should vie with one another not in the arts of war, but in the ways of peace, in building a world of expanding freedom and increased well-being for all mankind.

18. The Earl of SELKIRK (United Kingdom) said that, as most members of the Council were to a great extent engaged in dealing with various domestic economic problems, they tended to regard them as much more important than international ones. However, as the Netherlands representative had emphasized, there was a great need for politicians to have a profound sense of

responsibility both towards the people of their own countries and towards the world. The two responsibilities could be reconciled, but not through an ingenuous view of international co-operation or a narrow and aggressive nationalism. Vision should be turned to practical problems, and for that the reports submitted to the Council were of great help. It would be gradually seen that there was nothing inherently unreal in the concept that world prosperity was indivisible. In discussing item 2 of the agenda the Council had an opportunity of examining the whole field and of perceiving that the apparent conflict between national and international affairs was not as fundamental as it seemed at first sight. That was made easier by the cool objectivity with which an economist could portray a situation that assumed a far more controversial appearance within a political framework. From time to time it might even be found that the solution of an international problem might help internal economies and vice versa.

19. The broad sweep of the introduction to the *World Economic Report 1953-54*, and the careful way in which that report had been built up, would be generally appreciated. It brought out the significant developments since the war—the widespread desire to obtain better understanding of economic problems, and thus greater co-operation and the tremendous emphasis on development in all countries; on the other hand, it recognized the greater sensitivity of almost all legislative bodies to the special demand of protecting some section of domestic industry rather than to the more general advantages arising from the removal of trade restrictions.

20. In commenting on the contents and conclusions of the *Report*, he wished to assist the Secretariat in making future reports as useful as possible to Member States. He questioned the utility of the sharp division of the *Report* into two parts, as a result of which the internal situation in individual countries was considered separately from the international situation, giving a one-sided picture, particularly in the case of countries such as the United Kingdom, Australia and Japan, which were highly dependent on foreign trade. That division had also been the cause of the cursory treatment given to the significantly rapid expansion of European foreign trade during recent years and of that development's being treated apart from the economies of European countries. If the two parts of the *Report* were amalgamated, its material would fall into better perspective. It was important that the authors should throw into sharp relief, in a clear, simple and authoritative way, the basic structure of the world economy and the pattern of relations between the main regions. That was particularly necessary in order to discourage the tendency of newspaper reports to summarize and comment in particular on those passages which described the situation in their own country. No other economic report attempted to present such a broad picture, and it was essential that the Secretariat should successfully respond to the challenge.

21. The *World Economic Report* and various related documents before the Council presented an optimistic view of the world economic situation, which had been further confirmed by the Secretary-General and other speakers and the replies from Governments to the

questionnaires on full employment and the balance of payments. However, particular difficulties were being experienced in certain parts of the world and for certain commodities. If the goal of rapid and stable economic growth, or, as the Secretary-General described it, "dynamic equilibrium", were to be reached, local difficulties and readjustments were inevitable. Indeed, favourable circumstances in one country sometimes had unfavourable repercussions in another, as when an excellent harvest in India made it difficult for Burma to dispose of its rice crop. The Norwegian representative had pointed out the necessary weapons, and the knowledge existed of how to use them, so that deterioration could be avoided and it could be ensured that readjustment did not lead to general difficulties either because the cure was worse than the disease or because of a reaction whereby a minor problem gave rise to a greater one. The effectiveness of the weapons to prevent any disturbance from spreading depended directly on the readiness of countries to use them quickly and firmly. The price of stability was eternal vigilance, the exercise of which must depend largely on the information provided in United Nations economic reports. Hence the need for them to be as up to date as possible.

22. In the search for economic stability and the maintenance of the rate of development some important lessons could be learnt from the *World Economic Report*. While recognizing the need for rapid growth, he would not have given as little emphasis to the need for stability as the Australian representative had done. The past two years had shown that it was possible for the world to go through a short and shallow recession in the United States without encountering serious difficulties, and the fears and forecasts about a deep and long American recession had not been fulfilled. The recession had never become serious, both because of the firmness of the United States Government and because of the strength and resilience of the United States economy. Extensive expenditure on new plant and buildings had been maintained. As new factories, power stations and roads were built, the productive power of the United States would increase yet further, thus laying the foundation for continuous expansion in the future. The reasons why the rest of the world had been able to surmount the difficulties created by the United States recession with so much more ease than had been expected had been admirably treated in the *Report* and had also been discussed by the French representative.

23. Four factors which had played a part in demonstrating the ability of the world to defend itself against the effects even of a slight setback in the American economy were worth emphasizing because of their world-wide significance. In the first place, economic activity in Europe had been increasing rapidly at the time when it had declined in the United States. As a result, European demand for primary products had risen. Secondly, prices for primary products, which had fallen between 1951 and 1953, had been maintained subsequently; one reason was that stocks of primary products held by industrial countries had probably been run down to abnormally low levels by the middle of 1953, so that some re-stocking and price recovery might have been expected if there had been no American recession. Raw material

producing countries had accordingly been able to pass through the period of the recession with comparative ease. Thirdly, the latter countries had been able to help the European export trade and in 1954 had, as a group, increased their imports more than their exports, but that could be only a temporary phenomenon as most of them had to some extent depleted their foreign currency reserves. Nevertheless, by importing from Europe at that particular moment they had helped to offset losses of exports due to conditions in North America.

24. Finally, stability had been maintained because of the large movements of dollars from the United States to the rest of the world for reasons other than normal purchases of goods and services. The large short-term capital outflow from the United States in 1954 had helped to build up the world's dollar reserves. It was true that such movements could not be relied upon, because they could be easily reversed, but at the same time they had helped trade during what might have been a difficult period. On the other hand, continued expenditure by the United States Government overseas had a more permanent character.

25. To summarize the world economic situation during the period under review, since the beginning of the recovery in the United States during the autumn of 1954 industrial production had been rising steadily almost everywhere. In the last quarter of 1954 world production had been 2 per cent higher than in the previous year and about one-fifth greater in volume than in 1950. There was every indication that that encouraging expansion was continuing during 1955. Though up-to-date information about the growth in primary production was more difficult to obtain, there was good reason to suppose that record levels had been reached in 1954. If primary and industrial production expanded concurrently, balanced growth could be achieved.

26. World trade figures were even more encouraging, as they showed that expansion had taken place at a faster rate than in industrial production, largely because it had not been interrupted by the United States recession. At the end of 1954, the volume of world trade had been 8 per cent higher than in 1953, the main increase having been in manufactured goods. Intra-European trade and trade between Europe and the United States had increased in a striking manner, and there were signs that it had at least been maintained during 1955, the major manufacturing countries having exported more in the early months of 1955 than in the corresponding period of 1954. It therefore appeared that the major stimulus to world trade in the last couple of years had been the more intensive activity in manufacturing countries. The liberalization of trade as a result of the work of the Organization for European Economic Co-operation (OEEC) and dollar liberalization in several important European countries had made an important contribution to that growth in trade.

27. The deterioration in the trade balance of the primary producing countries seemed to have continued, despite increased imports of primary products by both the United States and Europe.

28. Generally speaking, the prices of primary products had remained stable, and it was noteworthy that fluc-

tuations over the whole period since the middle of 1953 had been mild compared with those in the earlier post-war years. A maintenance of that stability could be anticipated, since the severe post-war fluctuations—many of which had been brought about by the Governments themselves—had been due to the large-scale adjustments made during the period and to the violent shock administered to the European economy by the Korean war. If, as was generally hoped, those sharp political disturbances now belonged to the past, price fluctuations might be kept within reasonable limits, though some were inevitable when there were changes in demand. The dislocations caused by localized fluctuations were well known, and it was in the general interest that Governments should work together to moderate them.

29. The expansion in the level of industrial activity in western Europe, including the United Kingdom, had been such an important and encouraging feature during the last few years that it deserved comment. The main reason for it had been the high level of fixed investment in practically all countries, resulting in full employment, and the continuous introduction of new capital equipment which helped to raise the productivity of labour. Consumption had accordingly been expanding steadily, and the range of consumer goods had increased. Those who feared that industrial expansion would come to a halt should realize that there was an ever-widening field for increasing the output of consumer goods.

30. Government expenditure had not constituted an important element in the recent growth of expenditure in western Europe, and in nearly all those countries Governments were now taking an ever smaller share of total resources.

31. The remarkable expansion in economic activity had occurred without causing any seriously harmful developments, and, although industry was, generally speaking, working to full capacity, there had been remarkably little wage or price inflation.

32. There had been some deterioration in the trade balance of certain European countries, particularly the United Kingdom, Denmark, Norway and Sweden. In the first, immediate action had been taken during the first two months of 1955 to restrict internal credit. The bank rate had been raised to 4½ per cent and limitations had been imposed on certain types of consumer credit transactions. In addition, the exchange equalization account had been authorized to intervene in the market for transferable sterling. It was too early to judge the full effects of that policy, but there had been an encouraging improvement in the balance of trade in April and May, compared with the first quarter. The value of exports continued to increase and that of imports had been reduced. Though the recent railway and dock strikes had inevitably had adverse effects, the loss of production had not been as serious as many people had feared, and the success of the economy in overcoming those difficulties was an excellent testimonial to its present resilience.

33. In general, the prospects for world economy in the coming months were clearly favourable, and there seemed no reason why the balanced growth in economic activity and trade should not continue. The strength of

the world economy would depend on that development's proceeding as rapidly as possible, while stability was maintained. Expansion would require a steady growth in the output of primary and industrial products, and confidence would do more than anything to encourage more fixed investment.

34. One of the most hopeful signs for future growth was the application of atomic energy to peaceful purposes. As standards of living and the world population rose, so would the need for power, and there was every hope that it would be largely met during the next generation by nuclear power. Though the world was only on the threshold of knowledge of commercial uses of atomic energy, enough was known to assess its possibilities, and the commercial application of nuclear fission was now practicable. It would take about five years to build a large atomic power station, and the United Kingdom Government had prepared a programme of development covering the next ten years and giving some indication of what would be done in the succeeding ten years. Making reasonable allowance for the value of by-products, the cost of electricity from the first purely commercial nuclear power station was likely to be about 0.6 pence or 0.7 United States cents per kWh. In other words, the cost was much the same as that of generating electricity in a modern coal-fired power station. The provisional programme for the construction of purely commercial nuclear power stations in the United Kingdom provided for completion of the first two in 1960-61, and it was hoped that by 1965 nuclear power would be providing one-quarter of the necessary annual expansion in generating capacity. Subsequently, a much greater expansion should be possible, and by the early 1970s the rate of construction of new power stations should match total needs for new generating capacity and no further construction of coal-powered stations would be necessary.

35. Nuclear power, which did not depend on the presence of some indigenous source of fuel, held out immeasurable promise to the world at large, and particularly to those countries which lacked other sources of energy. Only a small amount of fuel was necessary to operate even quite a large reactor, which meant that stations could be located anywhere. But the possibility of progress would be largely determined by the availability of trained manpower, and the expansion of facilities for scientific and technological training was probably the most important step to be taken by those countries wishing to exploit the fuel potentialities of atomic energy. It was the policy of his Government, and he confidently believed also of industry, to give all possible assistance to advance nuclear power projects in other countries. The United Kingdom's concentration on atomic energy research and its willingness to assist others was an example of the division of labour upon which world trade was based. It was in the general interest for each country as far as possible to concentrate on what it could do particularly well and on selling the goods it produced most cheaply.

36. Geographical conditions varied a great deal and, as the Ecuadorian representative had pointed out, they were much more favourable in some countries than in others. Nevertheless, a great deal could be achieved by the latter, as was illustrated by the way in which the Swiss people, without any mineral resources, no sea

coast and large areas in which communications were difficult, by sheer hard work and skill, led the world in at least three important industries.

37. Some limitations on the freedom of trade were inevitable, but, generally speaking, a free system of trade and payments was desirable. Every country benefited from a thriving world economy and from a high level of world trade. Unfortunately, during the past few years Governments had sometimes been blinded by short-term interests or had had their freedom of action curtailed by forces beyond their control. At present, circumstances were such that all were able to move towards a freer system, and he therefore wished to make some remarks about the prospects for an expansion in world trade.

38. The Council, in its resolution 535 B (XVIII), had decided to consider trade development problems on a global basis. It had already heard something about the work of the regional economic commissions, and the admirable report *The Quest for Freer Trade* (E/2737) showed how Governments were accepting the principle of free multilateral trade, not only in theory, but in practice. In particular, he would mention the movement towards a freer system of world payments and his own country's important steps in that direction. For example, the transferable account system now included all countries outside the dollar area. In an expanding and stable world economy it should be possible to move towards an even freer system of currency exchange. During the last two years, important measures had been taken towards creating the indispensable conditions for full convertibility.

39. The review of the General Agreement on Tariffs and Trade also showed that Governments were prepared to adopt a freer trade system, and the United Kingdom hoped that the ratification of the protocol establishing the Organization for Trade Co-operation would not be long delayed.

40. The valuable work done by other international organizations had continued during the past year. OEEC was still providing a framework to liberalize trade amongst member countries, and it was to be hoped that the very considerable success achieved would continue. The International Bank for Reconstruction and Development had now been able to shift the emphasis from reconstruction to development, in which it would soon be joined by the International Finance Corporation. The International Monetary Fund was, as before, doing valuable work and should become even more important as conditions more nearly approached those in which the Fund was designed to operate. Prospects for the firm establishment of a freer system of international trade and for further capital investment, in both the industrial and the less developed countries, were therefore good, and the aim should be to accomplish both on as wide a scale as possible.

41. Some countries were economically in a stronger position, by virtue of their favourable balance-of-payments position, to remove restrictions and abandon bilateralization, which would help those at least temporarily in a less favourable position. While there was a steady trend towards a freer system of trade, it was

doubtful whether there was any advantage in the proposals for inter-regional trade consultations. Arrangements that had been of some use in expanding intra-European trade were obviously not applicable to the completely different problems of increasing trade in the world in general. The proposals were something of a real innovation and had not been very clearly or satisfactorily defined. It appeared, however, that both the Economic Commission for Asia and the Far East and the Economic Commission for Latin America had realized that the benefits to be gained from such consultations would be very small in comparison with the effort involved. In his opinion, the most profitable line to follow would be to use the existing machinery to a greater extent and to apply ever-increasing resources in those areas where there was less knowledge of industrial and scientific development. If results were not obtained, it was the fault of Governments rather than of the institutions themselves. With those considerations in mind, his delegation had joined with that of Turkey in submitting draft resolution E/L.676.

42. He believed it fair to say that the international approach to economic problems, in which the United Nations covered a wider sphere than any other organization, had not been without success. The *World Economic Report* suggested that international trade was now more nearly in balance than it had been since the breakdown of the multilateral payments system during the international financial crisis of 1931. At the same time, it was by no means certain that the problems arising from the United States trade balance with the rest of the world had been solved, and its present trade surplus of over \$3,000 million should discourage complacency. Generally speaking, if the position was more favourable than it had been for many years, that must at least in part be ascribed to the development of a number of new international economic institutions and to the constant reminders which Governments had received from the Council about the manner in which national policies might tend to defeat international objectives. If that were broadly true, as he believed, then the present should be regarded as a time of great opportunity, when closer international co-operation was made possible by stricter economic discipline and when world trade had increased and men of different nations had been brought into closer contact with each other to their mutual benefit. The most important factor in the modern world was perhaps the rapidity with which changes induced by scientific developments influenced every sector of international life. Collectively and individually, strength would depend in no small measure on the ability to make adjustments to those changes and to adapt national assets to changing needs.

43. The United Kingdom hoped that in conditions of stable expansion it would be possible to double the standard of living over the next twenty-five years, but it was also well aware that that would be impossible unless a comparable development took place over the greater part of the world. It therefore contemplated the future with well-founded but sober confidence.

44. Mr. EL BANA (Egypt) began by emphasizing the great importance of the United Nations' work in the economic field. A great contribution in that respect

had been its work in publishing valuable economic reports and studies. A country could now formulate its economic policy in the light of the world economic situation and could learn from other countries' experience in the economic field.

45. The documentation before the Council would be discussed in detail in the Economic Committee. At the present stage, therefore, he wished merely to draw attention to certain general problems which in his delegation's view deserved special consideration.

46. The first was the problem of the industrialization of many agricultural under-developed economies. For it was a recognized fact that there was a fairly high positive correlation between the level of industrialization and the level of national income. Moreover, in an agricultural economy, the maldistribution of income tended to increase, in so far as increased demand for agricultural land was not matched by an increase in the cultivated area. The consequent increase in the value of land and in land rents raised the cost of agricultural production and aggravated export difficulties. Finally, rapid industrialization, with the rapid rise in the standard of living it brought with it, was—in the case of the densely populated countries at any rate—the only means of combating the pressure resulting from a continued increase in population which seemed inevitable, at least in the near future.

47. Fortunately, many of the countries which for all those reasons were in such great need of industrialization had the resources to build up very successful industries. The absence of one or more of the required resources, however, did not make it impossible to build up an industry. Even the highly industrialized countries were lacking in one or more of the necessary resources and imported from abroad. Industrialization was, in fact, likely to bring an increased demand for capital and semi-manufactured goods, and its impact upon the already industrialized countries need not give rise to serious trouble, especially if the latter adapted their economies to the changing situation.

48. The second problem of primary importance was the baffling one of unemployment. A small degree of temporary, or, as it was sometimes called, frictional unemployment was, of course, inevitable; but, allowance being made for that, the economic and social welfare of the nation depended upon the realization of full employment, and it was essential, both from the economic and from the socio-economic point of view, to combat all types of unemployment, including seasonal unemployment, the hidden unemployment which existed when the workman was too good for his job, and the misemployment which led to under-employment in one sector of the economy and over-employment in another.

49. The third problem to which he wished to direct special attention was the continuing structural disequilibrium in the world economy. Despite hopeful indications in the present *World Economic Report*, disequilibrium would continue until each country attained internal economic equilibrium, the main feature in which was a reasonable standard of living. And in their efforts to raise their standards of living, efforts which necessarily entailed a greater or lesser degree of economic planning

—the greater the economic and social troubles with which the country was faced, the greater the need for planning—countries would be driven to the adoption of restrictions unless they were provided with other means. Much remained to be done, however, to solve the problems which arose in connexion with the dollar shortage, trade in basic commodities, the co-ordination of international investment and convertibility. It should, above all, be borne in mind that the proceeds of economic development in certain areas should be directed primarily to the benefit of the indigenous population. The economy of an area should not be directed so as primarily to serve the economy of another area. Equally, differences in economic philosophy should not be allowed to hamper world trade.

50. As the *Report* rightly pointed out, the key economic countries had a particular responsibility for developing international trade and encouraging international investment. They should not adopt a trade policy which might stifle another country's vital exports. It was still more important that they should avoid depression, which was so easily communicated to other countries. Continuous growth of such key countries' economies was therefore of primary importance. It should be borne in mind, however, that a country might not be a key country from an international point of view, but might be so from the point of view of the marketing of its principal crop or product. To give two examples, Egypt and Cuba were key countries as regards the marketing of cotton and sugar respectively. Similarly, the Middle East was a key region from the point of view of oil production. Such countries and regions should therefore be given their due weight in the world economy.

51. International investment should be further intensified in the interest of both the under-developed and the economically mature countries. The latter, together with the competent international agencies, should adopt a more liberal policy in that respect. For their part, the under-developed countries must generate a favourable climate for investment and must take steps to attract foreign capital.

52. Another problem which should be seriously tackled from an economic point of view was that of migration. The co-ordination of migration from the depressed and densely populated regions of the world to the sparsely populated regions would contribute greatly to the world's prosperity. Conversely, to encourage immigration into a country which could not absorb new settlers was to endanger not only the world economic situation, but also world peace.

53. In concluding his general comments, he wished to point out that there was a genuine need and desire for international economic co-operation, which the United Nations and the specialized agencies had gone a long way to supply. Conferences outside the United Nations served the same end. The Bandoeng Conference had given those taking part in it an excellent opportunity to exchange ideas, and it was expected that economic relations amongst them would greatly flourish, concerned as they all were with developing their economies and raising the standard of living of their peoples.

54. If he referred to some of Egypt's recent achievements in the economic sphere, it was not only because

his delegation regarded those achievements as great, but also to give the Council an example of how a developing country, in circumstances such as those of Egypt, could follow a wise economic policy which reconciled divergent considerations. In its efforts to secure the country's economic well-being and to raise the standard of living to a level comparable with that of other more advanced countries, the Government had entered upon a comprehensive programme of economic planning, aimed at greatly increasing the national income and reducing its maldistribution. It had realized that, whereas the key to economic and social welfare lay in raising the level of individual incomes, to do that by increasing the country's productive capacity might take time; and meanwhile the people must not be allowed to suffer. The Permanent Council of Public Services had therefore made great efforts to provide the necessary social services in order that real incomes might increase.

55. Production, however, had already risen considerably, and with it employment vacancies had increased and unemployment had fallen steeply. To give some examples of new projects, on most of which work had already been started, he would mention the High Dam Project, which would result in a 30 per cent increase of the cultivable area and would provide sufficient power to run many industries on an economic basis; the construction of a fertilizer plant; and the iron and steel project. For the first time in Egypt's history a permanent organization had been set up for the reclamation of barren land throughout the country, and more than 10,000 acres had already been reclaimed.

56. The Government had adopted a policy of tax exemption in certain cases so as to create a favourable climate for investment. Concerns whose purpose was to initiate new mining, oil prospecting, land reclamation or other projects were exempted from taxation for seven years. Existing concerns with the same purpose might also be granted exemption from commercial and industrial profit taxes with the approval of a newly created committee on which the Ministry of Finance, the Ministry of Commerce and Industry and the National Production Council were represented. The Committee had to adjudicate in cases where exemption was discretionary and to consider disputes between the tax administration and the companies. Important concessions had been given to foreign capital, the chief being that profits could be transferred abroad without restriction. After one year the original capital invested could be repatriated in its original currency. Facilities had been granted for importing machinery required for local industry, and in 1954 £E 19 million of machinery had been imported, as compared with £E 16 million in 1953. During the past year many import and export restrictions had been lifted and greater facilities granted to countries wishing to buy cotton. Trade relations had been developed with many countries and his Government had not hesitated to relax restrictions wherever possible, despite the great difficulties it was facing in carrying out such a tremendous development programme.

57. Notable success had been achieved in financing the programme without causing inflation and the Government had decided—in order to encourage investment—not to increase the burden of taxation, realizing that inflationary financing hampered investment by increas-

ing its cost and led to a disequilibrium in the balance of payments. Instead, it had sought to absorb the savings of the community by floating internal loans to finance productive projects. Two new laws had been enacted to co-ordinate financing. The first authorized the Minister of Finance to issue treasury bills up to a total of £E 150 million and the second authorized him to issue securities up to a total of £E 100 million to be given to the National Bank against an equivalent in free sterling at the prevailing exchange rates and maturing in fifteen years. It was to be noted that the issue of securities under the first law would not exceed the limit established by the previous laws, which had now been superseded, and that no inflationary tendency should result. The total value of treasury bills had fallen from £E 99.5 million at the end of January 1954 to £E 81 million at the end of 1954 and to £E 54 million in May 1955. The new law was simply designed to meet the Government's requirements for short-term financing in general, and not only of the cotton crop. The second law could not result in inflation either. On the contrary, it might cause a deflationary tendency because the free sterling would be used to buy from abroad. The Government was also carefully watching prices, and, if a commodity was short, it sought to increase its supply in order to bring down the price, because it did not believe in suppressed inflation.

58. The cotton trade had met with some difficulties during the previous year, but the Government had instituted barter operations and had granted credit facilities. The cotton futures market would be reopened to facilitate disposal of that main crop.

59. The balance of payments had shown a surplus of £E 33 million, as compared with a deficit of £E 55.4 million in 1952. The cost-of-living index (base year, 1948) had dropped from 113 in 1952 to 105 in 1953 and 101 in 1954.

60. His Government's new economic philosophy was based on planning which it believed reconciled conflicting economic theories. As had been noted earlier, the Government's function had been to supplement what was done by private investors, and not to compete with them. It did everything possible to encourage investment and to fill existing gaps. Economic freedom meant little when divorced from economic security, and a comprehensive plan was necessary to achieve both objectives. For that purpose the National Planning Commission had been established in the present year with the Prime Minister as President. It would draw up a comprehensive national plan of economic and social development for a specific period, and all governmental and non-governmental effort would be mobilized to execute the carefully studied and well co-ordinated projects. The major objectives and length of the plan would be determined after a careful survey of financial, technical and labour resources, full considerations being given to internal and external security factors. Economic, social and cultural principles and national traditions would also be duly taken into account.

61. Mr. RICHES (International Labour Organisation) said that as in other years, the Governing Body of the International Labour Office had agreed upon a number of points regarding full employment which it would like to bring to the Council's attention. It was pleased to

note that unemployment had fallen during the past year in most economically developed countries. At the same time structural unemployment and under-employment persisted in certain countries, particularly in under-developed countries, and although those were long-term problems, they had to be attacked by vigorous, persistent and concerted action on the part of Governments, international organizations, and employers' and workers' organizations.

62. The problem of unemployment also needed to be considered from the point of view of the region or industry concerned. The regional conferences and industrial committees of the International Labour Organisation (ILO) had provided opportunities for tripartite discussion of unemployment problems affecting particular regions or industries.

63. In that connexion, he would like to call attention to the work of the ILO Metal Trades Committee, which had met the previous autumn in Geneva and had adopted a memorandum setting out certain measures for the maintenance of full employment in the metal trades, such as the organization of the employment market by improving the efficiency of the employment service and making provision for vocational guidance and vocational training; measures to facilitate the movement of workers to jobs elsewhere; and the establishment of new undertakings in areas with substantial unemployment. The memorandum also pointed out that great importance should be attached to the maintenance of a sufficiently high level of demand for goods and services in general, and for metal products in particular, and that special consideration should be given in good time to the possibility of stimulating consumers' demand for metal products by such means as price reductions and more liberal consumer credit. The memorandum had been adopted by 71 votes to 33, with 3 abstentions. The employers' members of the Committee, while expressing keen interest in the measures advocated, had voted against the adoption of the memorandum, as they felt that some of the matters discussed in it were outside the Committee's competence. The Committee had been concerned mainly with the policies that might be required to maintain a high level of demand in the metal trades; but it must be recognized that there were other circumstances in which measures might be needed to hold demand in check and to prevent inflation, and such measures might be quite the opposite of those required to overcome unemployment.

64. With regard to unemployment among those engaged in salaried and professional occupations, the ILO Advisory Committee on Salaried Employees and Professional Workers, which had met the previous year, had unanimously adopted a resolution stating that one of the causes of that type of unemployment was the attraction exerted by non-manual occupations as compared with the prospects of employment they offered. Among the measures suggested by the Committee to deal with that cause of unemployment were suitable publicity methods to eliminate the unfounded preference for non-manual occupations among young people.

65. In addition to adopting resolutions on action against unemployment, the ILO in recent years had undertaken operational activities designed to promote economic

development and thereby overcome unemployment and under-employment in under-developed countries. ILO projects of that kind under the Expanded Programme of Technical Assistance included manpower surveys, vocational and technical training, projects to increase productivity, the development of small-scale industries and co-operatives, and projects to further the integration of indigenous peoples into more developed economies. He wished to state in that connexion that in working out its technical assistance projects for raising productivity the ILO had been much concerned with the interactions between productivity and employment. For, while efforts for the more efficient utilization of available resources were of fundamental importance to the economic development of under-developed countries, they might give rise to serious problems of retrenchment and redundancy if they took the form of the introduction of labour-saving machinery or devices. For those reasons, and because of the scarcity of capital, the emphasis in ILO productivity work in under-developed countries was placed upon encouraging the adoption of capital-saving rather than labour-saving innovations, and especially upon sustained improvements in the organization and administration of undertakings. In addition, efforts were being concentrated on industries where an increase in output or a reduction in costs, or both, would provide the physical resources required for the expansion of output and employment in other industries, or would earn or save foreign exchange. In that connexion he drew attention to the work of the ILO productivity teams in Israel, India, Egypt, Pakistan, and to the team shortly to begin work in Bolivia.

66. In its work in the field of full employment policy, the ILO had worked in co-operation with OEEC in the development and implementation of standards for improving the efficiency of employment services, and with the High Authority of the European Coal and Steel Community in studying and solving various problems involved in the integration of the employment market in the coal and steel industries in the six member States.

67. Finally, he wished to draw attention to the work of the Eighth International Conference of Labour Statisticians held last December under the auspices of the ILO. The Conference had adopted resolutions defining various statistical concepts, such as the labour force, employment and unemployment, and had recommended the adoption of the International Standard Classification of Occupations and certain standards for the frequency and content of censuses of population. It had also recognized that the problem of measuring unemployment deserved careful consideration, and had asked the Governing Body to instruct the International Labour Office to study it with a view to presenting proposals to the Ninth International Conference of Labour Statisticians.

68. Finally, as he had said before, the ILO was anxious to co-operate wherever possible with the Economic and Social Council in planning and carrying out action to promote full employment, and the Director-General of the International Labour Office would be pleased to bring to the attention of the Governing Body any points that might be raised in the Council.

The meeting rose at 5.15 p.m.