



CONTENTS

World economic situation (<i>continued</i>): (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)	53
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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: Brazil, Indonesia, Mexico, Netherlands, Poland.

The representatives of the following specialized agencies: International Labour Organisation, Food and Agriculture Organization of the United Nations, 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/Ad. 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)

[Agenda item 2]

1. The PRESIDENT invited the Council to continue its consideration of item 2 of the agenda: World economic situation.

2. Mr. BRILEJ (Yugoslavia) said that his delegation shared the views expressed by the Secretary-General about the importance of the under-developed countries in the development of the world economic situation. Commending the authors of the *World Economic Report*

1952-53 (E/2560), he said that the main features of the existing world economic conjuncture seemed to be: First, since August 1953 there had been a significant decline in industrial production and employment in the United States of America and Canada, which, it was to be hoped, would not persist, because if it did, it would inevitably lead to a major disruption of the world economy. Secondly, in Western Europe there had been, on the contrary, an increase in industrial production, foreign trade and monetary reserves, which had, however, been to a large extent due to temporary factors. The improvement, moreover, had affected only a few European countries. Productive investment had not increased, and the important question arose—what new incentives were required to call forth the considerable expansion of Western European economy that was needed? Thirdly, it emerged from the Report that the Soviet Union and the Eastern European countries had made certain changes in their economic policy, the extent and importance of which, however, it was difficult to ascertain. The fourth feature brought out in the Report was the gloomy situation in the under-developed countries, brought about by their particular vulnerability to fluctuations in world trade, which had seriously hampered the development of essential fixed capital investment. In 1953, there had been a serious decline in such investment in almost all the under-developed countries of Asia as well as in Latin America. In face of the failure to solve the most difficult problem of the world economy, therefore, urgent measures by the world community were more than ever called for.

3. The slackening of international tension and the consequent decrease in expenditure on armaments was another circumstance affecting the general level of economic activity. The reduction of armaments raised for the industrial countries the question of utilizing, for civilian production, the economic resources thus freed, and also heightened the need for international action to develop world economic activity if a crisis was to be averted. The expansion of international trade was widely recommended as a stimulus to that end, and two lines of action were being recommended: an expansion of East-West trade on the one hand, and the liberalization of international trade and the establishment of convertible currencies on the other.

4. The expansion of trade with the Soviet Union was a separate question. It was desirable from economic and political points of view, but should be approached realistically. It was not yet possible to assess the quantitative importance of the recent changes in the Soviet Union's foreign trade policy, and in particular to decide whether those changes represented a long-term structural reversal of policy. Uncertainty had not been

dispelled by the Consultations on East-West Trade that had been held in Geneva in 1953 and 1954. The significance of East-West trade should not be exaggerated. In 1953, it had amounted to less than 1.5 per cent of the international trade covered by world statistics, so that, even if it were to be doubled within the next few years, it could hardly exert a decisive influence on the world economy.

5. Trade, however, was only one part—albeit the largest and most important—of the whole field of international co-operation, and could therefore not be expanded if based on mere bilateral bartering. It could flourish only if closely linked with international co-operation in many other fields—from finance to transport—in which the Council and other United Nations organs were deploying so much effort. It followed, therefore, that the more active the participation of the promoters of East-West trade in other spheres of international co-operation, the more would that trade prosper.

6. The other main line of policy at present being advocated was the liberalization of international trade. Western European countries seemed satisfied at the fair degree of balance achieved in international exchanges, which had made possible a certain liberalization of trade and convertibility of currencies. That optimistic view could be shared by Yugoslavia—which also favoured liberalization—only if the process were accompanied by international action in the field of finance and co-ordination of trade policies. In that connexion, he must utter a warning against the danger of restrictions, which led to retaliation and a consequent contraction in the volume of trade.

7. Adequate international financing was a further prerequisite for a reduction of trade restrictions. He could not share the belief prevalent in Western Europe that the problem could be solved by increasing exports of private capital, and it seemed essential that the functioning of the world economy should be ensured through international public financing. That applied in particular to the under-developed countries, which could expand their trade only through an increase of production stimulated by international public financing.

8. The question of the export of capital had a major bearing on the problem of convertibility, the essential instrument of broad, multilateral trade. The distribution of monetary reserves in the world, however, was inadequate for the purpose, and he would point out that the International Monetary Fund (IMF) had been set up with the aim of ensuring additional monetary reserves where required. At the present time it had at its disposal in convertible currencies alone more than 3,000 million dollars, resources which were inactive and should be mobilized.

9. Stability was an important factor in the expansion of international trade, the fluctuations of which had borne most heavily on the under-developed countries. For that reason he reaffirmed his endorsement of the proposal to set up a permanent advisory commission on international commodity trade. The stabilization of trade in primary commodities had been given particular urgency by the recent increase in stocks, especially in the United States of America; that problem should be

solved, as had been pointed out by the Food and Agriculture Organization, mainly through assistance to the under-developed countries. The liberalization of trade and the establishment of convertible currencies were, however, only the technical instruments of international trade, and their success depended upon other international action—co-ordination of trade policies, good creditor policy, stabilization of the exchange of primary products and, in particular, international public financing.

10. After summarizing recent results of his country's industrial development programme, showing how the rise in employment was keeping pace with the increase in industrial production, he called attention to the agricultural difficulties created by the recent industrialization and two disastrous years of drought. The experience gained had been as important as the practical results achieved. Experience of the immediate post-war system of centralization with its consequent dangers to the political programme had led to the adoption of another method, the objective being the development of a democratic socialism, the characteristic feature of which was the independence of the enterprises, which were now being managed by workers' collectives.

11. Economic relations with other countries were being developed. Attempts, which had been partially successful, were being made to free foreign trade from earlier restrictions, and the increase in the national production showed that the balance-of-payments deficit would be overcome by an expansion of foreign trade. In that connexion, he would refer to the success of Yugoslav economic co-operation with Greece and Turkey. His delegation attached the greatest importance to the active participation of Yugoslavia in world and regional programmes of international co-operation. The development of under-developed countries represented a key problem in the present world economy. Hitherto the results had been unsatisfactory, and there was an urgent need to increase international assistance along the lines set forth in the proposal concerning the special United Nations fund for economic development (E/2618).

12. Mr. ENGEN (Norway) said that his Government was a convinced believer in the policy of economic expansion on a broad international basis. In Norway, the main objectives of economic policy were a high and stable level of employment, economic expansion and an equitable distribution of the national income. The carrying out of that policy, however, was dependent upon policies followed by other countries, particularly in the case of his own country, the economy of which was characterized by the disproportion between imports and exports and the national income.

13. He viewed with apprehension the conclusion reached in the *World Economic Report 1952-53* (E/2560) that there was still considerable unemployment in certain countries, and he had the impression that not all governments were sufficiently conscious of the gravity of the problem. General co-ordinated action along the lines mentioned by the Report would undoubtedly go some way to remedy the situation. In that connexion, he would endorse the United Kingdom representative's insistence that fear of inflation should not be allowed to hold up economic expansion.

14. There was a close interdependence between national economic activity and international trade and payments, and there was an unsatisfactory lack of co-ordination of individual internal economic policies which was, to some extent, responsible for the balance-of-payments disequilibrium.

15. Increased economic activity, however, would not provide the whole solution to the problems of international trade and payments. The tendency for certain countries to have a surplus on their current balance of payments over long periods while others had a current deficit was dangerous only when the disequilibrium became excessive.

16. He hoped that governments that were structural creditors would appreciate the importance of the so-called "good creditor policy" and that they would, in particular, facilitate increased imports. Lack of progress in that field had been discouraging. The responsibility of the debtor countries would be to see that economic expansion did not lead to inflation and the consequent abnormal pressure on the balance of payments. Any import restrictions found to be necessary should never be used to camouflage the protection of uncompetitive industries. Close co-operation between debtor and creditor countries was also necessary in the field of long-term capital movement, for the free flow of capital should be regarded as the natural counterpart of free trade.

17. With regard to convertibility, his Government, while attaching the greatest importance to a system of convertible currencies as a means of ensuring an effective international division of labour, was fully aware of the difficulties to be met with. The problem was, to a large extent, the corollary of the dollar problem. Only if the necessary supply of dollars were available for countries outside the dollar area could real convertibility be attained. The Secretariat's analysis of the dollar balance of payments showed that some of the factors responsible for the existing favourable balance were of a temporary nature; point had been given to that view by the recent decline in United States imports. Steps to achieve convertibility should be taken with caution, and any system of general convertibility should be based on definite rules of commercial policy and international payments, which, his Government considered, should be drawn up.

18. In that connexion, he would refer to sub-item (c) of the item under discussion: removal of obstacles to international trade and means of developing international economic relations. With regard to the possibilities of furthering East-West trade, however, it seemed that the point had been reached where further development would largely depend upon certain economic measures being taken in the Eastern European countries to encourage the production of goods for which there was a ready demand in Western Europe.

19. He did not consider that there was any reason to be pessimistic about the economic future. A study of the Report showed the progress the world had made from the chaotic conditions of the immediate post-war period and, though the road was long, given hard work, real international co-operation and a more realistic

approach to the many problems, the prospects of improved progress in the future were bright.

20. Mr. KUMYKIN (Union of Soviet Socialist Republics) said that there was both wide interest in the world economic situation and anxiety about the future of international trade. A certain slackening in international political tension had revealed additional possibilities of normalizing relations between countries in the economic field, with a resultant rise in the standard of living of the peoples of the world. The inevitable differences of perspective among members of the Council should not impair the value of its discussions on the world economic situation, nor preclude the drafting of joint resolutions proposing practical measures to remedy the existing situation. On the whole, despite the shortcomings of the *World Economic Report 1952-53* (E/2560), its authors had produced a useful document.

21. The Soviet Union, he could affirm, had achieved success in following the path of peaceful development. In the past three years, for instance, industrial output had increased by 45 per cent, that of consumer goods by 43 per cent and that of capital goods by 46 per cent. In agriculture, gross over-all production in 1952 had been 10 per cent greater than in 1940. It should not be forgotten that the war had caused enormous devastation in his country's agriculture: 98,000 collective farms, 1,876 State farms, 2,890 tractor stations, 7 million horses, 17 million head of cattle, 20 million pigs and 27 million sheep and goats had been destroyed. The fact that all that damage had been more than made good was ample proof of the progress that had been achieved in peaceful reconstruction. Still, agricultural production had lagged behind the growth of demand. As a result of the successes achieved in the development of heavy industry, the Soviet Union now had every possibility of greatly expanding its agriculture and of considerably speeding up the development of both the light industries and the food industries.

22. That was a sign that his country had entered on a new phase of its economic development. In 1954, the sum of 31,000 million roubles had been appropriated for the further expansion of the production of mass consumer goods, an increase of 46 per cent over the figure for 1953, during which year 300 new factories had been built for the manufacture of such goods. Moreover, 21 per cent more goods had been sold to the public in 1953, and 26 per cent more in the second half-year by comparison with the corresponding period in 1952.

23. His country's agricultural programme for the next two to three years would be concentrated on satisfying the population's increasing demands for provisions, on providing industry with agricultural raw materials, and on increasing the country's export resources. Seventy-four thousand four hundred million roubles had been appropriated for agriculture in 1954, an increase of 42 per cent over the 1953 figure. Solid results had been achieved in agricultural output, and 9.5 million hectares more had been sown to summer corn in 1954 than in 1953; during the spring of 1954 the plan for sowing grain crops on land newly brought under cultivation or on fallow land had been more than fulfilled, 3.6 million hectares having in fact been sown, as compared with the

target figure of 2.3 million hectares. The 1954/1955 programme would add 13 million hectares of such land, and that figure would be doubled or even trebled in the course of the next few years.

24. In the light of those facts, he had been surprised by the statement in the Report that agriculture in the Soviet Union had, in recent years, been in a "blind alley". That was a ludicrous travesty of the facts. The expansion of the peaceful economy of the Soviet Union ensured a systematic increase in the well-being of its people. There was no unemployment in his country. In the previous three years the number of workers and employees had risen by 6 million. The national income had increased by 34 per cent, and the total income of workers, employees and peasants had increased by a like percentage. Prices had been reduced by 25 per cent over the previous four years. In 1953 alone, real incomes had risen by 13 per cent. The price level was not much above the pre-war level, and average wages in industry had been 219 per cent greater than in 1940.

25. The data he had quoted showed that the belittlement in some foreign newspapers of the Soviet Union's achievements was utterly unfounded; and in assessing the standard of living of the people it should not be overlooked that rents in his country were the lowest in the world and that a great range of free social services, such as medical care and education, was provided for the people. In the 1954 budget the total sum appropriated for the social and cultural field was 141,000 million roubles, an increase of 10 per cent over the figure for the previous year.

26. Soviet Union policy was to lower prices, to raise the standard of living of its people and to continue its forward-looking policy of peaceful development.

27. Although the general appreciation of the Soviet Union in the Report was correct, there were certain errors. After the war, the Soviet Union had reduced its armed forces and its military expenditure. In 1954 there had been a further cut of 10,000 million roubles—or about 10 per cent—in military expenditure. Following the policy of peaceful development, State investment alone in the national economy had increased from 157,000 million roubles in 1950 to 216,000 million roubles in 1954. It was therefore incorrect to state that an important factor in the country's economy was an increase in expenditure on armaments and in investment in the defence industries. The Soviet Union had also achieved great successes in the scientific, technological and cultural fields. New techniques had been successfully adapted to the work of peaceful reconstruction, and he would mention that on 27 June 1954 the first atomic industrial power plant in the world had been put into operation in his country; and more powerful atomic plants were in hand. He welcomed the news that other countries were also developing atomic energy for industrial purposes.

28. Turning to the treatment in the Report of the economic situation in other countries, he could not but regret the completely inadequate information given about that great State, the People's Republic of China, with its population of more than 600 million. The data published in that country showed how remarkable had

been its reconstruction. Over-all output was higher than ever before in the history of China. As an example of the progress realized, in 1953 work had begun, or had continued, on 173 large industrial plants and industrial output had been 28 per cent greater than in 1954. Extensive State help to peasants had resulted in a further expansion of agricultural production. Real wages had risen and the purchasing power of the peasants, workers and civil servants had increased by 20 per cent during 1953. The outstanding economic and cultural progress achieved had opened up promising possibilities of fruitful co-operation with other peoples of the world. Foreign trade was being rapidly expanded, and all peace-loving nations would welcome the trade negotiations that had opened recently between the Chinese People's Republic and the United Kingdom and Indonesian Governments.

29. In Europe, the People's Democracies had also achieved remarkable success in their peaceful economic development. Urban unemployment was unknown, and there was no surplus agricultural manpower. Those countries had admittedly run up against certain difficulties in their economic development so far as expansion and progress were concerned, but they were successfully overcoming those difficulties by exercising stricter control over those sectors of the economy which were expanding more slowly than demand and thus hindering the rapid development of the economy as a whole. There had been a notable increase in the light industries and food-producing industries and in the agricultural sector, and industrial production had doubled, and in some cases even trebled, by comparison with the pre-war figures.

30. He then reviewed the characteristic features of the capitalist countries. The economic situation in the United States of America and a number of other countries was marked by a decrease in production, by an increase in unemployment and by a deterioration of agriculture. He drew attention to the gloomy conclusions reached in the Report about the grievous effects on the world economy of a recession in the United States of America. He also pointed out that militarization and its consequences—inflation, increased taxation, rising prices and the spread of unemployment—all meant a serious deterioration in the position of the populations of the capitalist countries. Those capitalist countries which had linked themselves to the United States Government's militaristic policy of devoting major economic resources to armaments were rightly anxious about their future. It had become obvious that the so-called United States assistance to Western Europe had made those countries dependent on the United States, and had done nothing for the rehabilitation of that region—which, in so far as it was real, was the result of the efforts of the European masses. In that connexion, the idea that trade rather than aid was called for was being propagated in Western Europe.

31. Every support should be given to the underdeveloped countries, which were trying to develop their national economies, and in that connexion the stabilization of commodity prices was of capital importance. Those countries, however, as Mr. Nehru had recently pointed out, were not to be regarded as paupers dependent on foreign aid.

32. The armaments race had had a deleterious effect on international trade. Commercial exports had been smaller in 1953 than in 1951. The capitalist countries were experiencing increasing difficulty in finding outlets for their surplus export goods. It was impossible to overlook the fact that the Report passed over in silence the powerful influence of a policy of prohibitions and restrictions on foreign trade and on the economic situation of the capitalist countries. The trade discrimination against the Soviet Union, the People's Republic of China and the People's Democracies had proved to be a boomerang which had recoiled with severity on the capitalist countries. Trade boycotts had proved powerless to prevent the development of the Soviet Union and the countries associated with it, whose vast resources made them immune from such attacks. The economic links between them had been strengthened, and their economies were expanding every year. They had no desire to raise artificial barriers to international trade, and wished for sound commercial relations with all countries.

33. The Soviet Union was at present carrying on trade with more than 50 States, and in 1953 the volume of its foreign trade had been 11 per cent greater than in 1952 and almost $2\frac{1}{4}$ times as great as in 1948. Trade and economic relations were being successfully developed with neighbouring countries, including Finland, Iran and Afghanistan. The volume of trade with Finland, which was based on a long-term agreement, had assumed considerable proportions and was still increasing. Trade with Belgium, Denmark, France, Holland, Iceland, Norway and Sweden was also being extended. Regular trade was also being carried on with Italy. The interest taken by the United Kingdom in trade with the Soviet Union was shown by the visit of a large group of British business men to Moscow early in 1954, which had led to the placing of a considerable number of orders in the United Kingdom and paved the way for a further expansion of trade between the two countries. The Soviet Union Government was favourably disposed to the establishment of economic and cultural relations with Western Germany in the interests of both countries, and as a contribution to a settlement of the German problem and the furtherance of peace in Europe; a number of contracts had already been signed between Soviet Union foreign trade organizations and Western German firms.

34. Trade relations with Argentina, Burma, Egypt and India were also being extended. A five-year trade agreement had been signed with India, and conversations concerning an agreement with Burma were nearing conclusion. Much importance was attached to the agreement signed with Argentina. Trade between the Soviet Union and Turkey had been revived under favourable conditions, and the situation was also ripe for the revival of trade with Yugoslavia. Business circles in Japan were showing great interest in the establishment of economic connexions with his country, and a number of contracts had already been concluded between Japanese firms and Soviet Union external trade organizations.

35. The Soviet Union's policy was based on the recognition of the possibility of the peaceful co-existence of States with different social systems, a principle which

was finding increasing support in other countries and had received full recognition in the recent conversations between the Chinese People's Republic and India, and those between that Republic and Burma. Some governments were not anxious to establish normal trade relations with the Soviet Union, but his own Government considered that sooner or later they, too, would come to see the necessity for such relations, not only with the Soviet Union, but with the Chinese People's Republic and the People's Democracies as well. The President of the Council of Ministers of the Soviet Union, Mr. Malenkov, had stated at a meeting of the Supreme Soviet on 26 April 1954 that the Soviet Union attached great importance to the development of external trade relations with all interested countries. Trade agreements with the Soviet Union were sometimes viewed unfavourably in certain foreign circles, and depicted as a peril by the bourgeois press, especially in the United States of America, where it had recently been asserted that the extension of the foreign trade relations of the Soviet Union might prove a more immediate threat to United States security than the atomic bomb. As one engaged in the work of the Soviet Union external trade department, he could say that the agreements signed between the Soviet Union and other governments contained no clauses for the export of revolution, but were an expression of the will of the peoples to develop peaceful relations, and to further the international division of labour and the raising of living standards.

36. At the 799th meeting of the Council the United States representative had attempted to hold up the Council's work by repeating the out-worn propagandist phrases about the alleged aggressive policy of the Soviet Union and its uncoöperative attitude towards proposals for the control of atomic energy. In reply he would quote Mr. Malenkov, to the effect that the myths prevalent about the aggressive aspirations of the Soviet Union had been utterly exploded by the peace-loving foreign policy of that country, whose aim and object was co-operation with all countries, including the United States.

37. At the same meeting, the representative of Cuba had expressed surprise when the Soviet Union requested that item 2(c) be placed on the Council's agenda. Since the representative of Cuba could not know in advance what proposals the Soviet Union had intended to make on that question, the only conclusion to be drawn from his refusal to accept them was that he had done so merely because they were to be put forward by the Soviet Union. The representative of Cuba had referred to the fact that, a few years previously, the Soviet Union had not been taking part in the work of certain international organizations. The discussion of a question of that importance on such a primitive level was most regrettable. The Soviet Union delegation would shortly be submitting for consideration by the Council a draft resolution relating to item 2(c).

38. It was his delegation's hope that the discussion of the world economic situation would be approached in a co-operative spirit, and that constructive results would be achieved. In that connexion he thought that the statements of the representatives of Argentina, Belgium, Norway, the United Kingdom and the International

Federation of Christian Trade Unions, and, in part, the statement of the representative of Yugoslavia, deserved mention.

39. Sir Douglas COPLAND (Australia) observed that many of the points he might have wished to raise had already been dealt with by other speakers. The Council had responded to the hope expressed by the Secretary-General in his opening statement at the 799th meeting (E/SR.799) that it would devote its attention to basic issues of economic policy.

40. The *World Economic Report 1952-53* (E/2560) contained a wealth of information which was valuable not only in detail, but also within its context. The Report was a guide both to the Council and to governments of Member States, and the Secretariat was to be congratulated on its quality and scope.

41. Economic welfare and the establishment of equitable social conditions were interdependent, and the improvement in living standards over the preceding four years was a measure of the vigour of the economy of almost all countries throughout the world, irrespective of the system on which they were organized. He quoted the opening sentences on page 3 of the Report: "The year 1953 was in several respects one of the most satisfactory years for the world economy since the war. Total production and consumption were at record levels and in most countries unemployment was relatively low." It was true that that statement was qualified at the beginning of the second paragraph of the same page, where a warning was sounded that the improvement recorded in 1953 might well have been of only temporary significance and that major problems remained to be solved; and that warning had been repeated in vigorous and pungent terms by the Secretary-General at the 799th meeting. The fact remained that *per capita* income had risen by 15 per cent over the pre-war figure in the United Kingdom, by 13 per cent in France and by 35 per cent in Sweden.

42. The complexity of the present world situation was due to a number of factors: the ideological division of the world hindered economic co-operation, as did the existence of two currency areas in the West, although there was good reason to suppose that the latter would not be a permanent feature and that ready convertibility would eventually be achieved, as he had always believed it would. Another factor was the search for security and stability, reliance often being placed on defensive mechanisms. It was essential to reconcile the desire for security with the maximum degree of freedom of trade.

43. The welcome political and social revolution which was taking place in South-East Asia likewise raised the tremendous problem of adjusting age-old economies to the conditions of the modern world. Furthermore, all countries had assumed a heavy burden of armaments, which was involving a greater peacetime expenditure than ever before; 9.6 per cent of the gross national product of the fifteen countries associated with the North Atlantic Treaty Organization, representing a sum of 14,000 million dollars, had been spent on armaments in 1953. A further 50,000 million dollars had been spent by Canada and the United States of America. World expenditure on armaments was probably not less than 100,000 million dollars, which was equivalent to two-

thirds of the national income of the Western European countries and to one-third of the national income of the United States of America. The full magnitude of that sum would be realized if it were thought of in terms of human effort and aspirations. If two-thirds of the labour of Western Europe and one-third of the labour of the United States of America could be set aside to promote the economic development of the world as a whole and that of the under-developed countries in particular, what a great advance that would mean towards the objectives for the achievement of which the Economic and Social Council had been created! Almost any effort would be worth while to bring about the necessary conditions in which that could take place.

44. In spite of expenditure on armaments and rehabilitation, the level of investment in a number of countries stood at 20 per cent or more of the national income. The countries of Western Europe, preoccupied as they were with achieving a more even distribution of income, and suffering from the terrible devastation of the war, showed a lower level, of 10 to 15 per cent. In the Soviet Union, according to the *World Economic Report 1952-53* (E/2560), industrial production was 45 per cent higher than in 1950, and the national income had risen by 34 per cent. Since investment was the sign of a dynamic and expanding world economy, the future could be faced with optimism. The Secretary-General had, he believed, had that situation in mind when he had spoken of economic development as the primary objective.

45. All the countries of South-East Asia had plans in hand for the expansion of investment, but their problem was more difficult, since they did not possess the same resources as highly developed countries.

46. Investment policy was to a large extent a matter for individual governments, but the United Nations had an important part to play in encouraging movement in the right direction. IMF and the International Bank for Reconstruction and Development were operating on a broader basis than international financial institutions had ever worked on before. The Technical Assistance Programme and its associated agencies did not disburse large sums, but they represented a noble experiment which brought the services of leading experts to the solution of problems of economic development. Although it was not a United Nations matter, the massive aid given by the United States of America had to be mentioned as one of the main factors contributing to the rapid recovery of the world economy since the war.

47. While public investment might not account for the major part of investment programmes in the less developed countries, it had an essential part to play in giving a lead and providing the framework into which other investment could be fitted. Public transport, fuel and power, and basic industries themselves in some countries, were public utilities and necessitated some form of public investment. That situation had to be frankly recognized and readjustments would be required in all countries concerned. The international economy would make a great step forward if a bridge could be established between the surplus of capital equipment in some countries and the lack of it in others. Both sides would stand to gain, and the foundations of an

assured expansion of world economy would be laid. It should not be forgotten that there were 1,500 million prospective consumers in the under-developed countries. 48. He then quoted the first paragraph of the section on general trends in international trade in the post-war period to be found on page 1 of *International Trade 1952*, issued by the Contracting Parties to the General Agreement on Tariffs and Trade, describing the spectacular recovery of international trade since the war. The same high level of economic activity was also reflected in the *World Economic Report 1952-53* (E/2560).

49. Prudent fiscal policies associated with plans for full employment raised a number of difficult problems, but much progress had been made in recent years. Countries had learned the limits within which inflationary pressures could be borne, and the necessity of applying restraint. More attention was being given to the problem of productivity, and trade union leaders were showing readiness to engage in full and frank discussion of policies and to accept responsibility for them. On all those matters he considered that optimism was justified.

50. The Australian economy, although a relatively unimportant one, was still expanding rapidly, and the rate of increase of the population, when immigrants were included, was perhaps the fastest in the world. It was not surprising that Australia was experiencing a shortage of labour at the present moment. Such a situation was in fact desirable for the under-developed countries. Australia had a bold investment programme—the level of investment represented 25 per cent of the national income—yet still found it possible to raise living standards. As well as satisfying its own needs, Australia was in a position to train technicians for the countries of South-East Asia and for United Nations agencies. In that respect, his country was making the maximum contribution within its means to the common cause.

51. Mr. ABELIN (France) said that the statements made during discussion, together with the *World Economic Report 1952-53* (E/2560), provided indispensable background material for the study of the world economic situation. However, the very variety of the statements proved that the world economy did not form a homogeneous whole; that its development was not linked with the economic situation in one particular State, however important that State might be; and that in consequence no general study of the question should be undertaken.

52. The method of approach must be defined beforehand; otherwise the real facts of the problem could not be brought out or the means of solving it determined. Of course, such preliminary work was made very difficult by the complexity of economic life; for instance, parallel trends might develop in several States, but at different times. It was therefore necessary to classify the various States according to sound economic criteria and, in that connexion, it might be wondered whether the criteria selected by the Secretariat for the preparation of its report were fully satisfactory, since countries were there classified at one and the same time on the basis of their economic systems (private enterprise, centrally planned economy) and their degree of economic development

(Latin American countries, Asian States). Such criteria were somewhat loose and heterogeneous; the United States of America, Italy and Australia, for example, could obviously not be classified in the same group: countries with their economy based on private enterprise. The French delegation preferred a classification based on large economic zones, although even such classification was not without its faults.

53. Moreover, even where a community of interests and close ties existed between a number of States, the economic trends in each retained their own peculiarities, which was why it was impossible to undertake a complete study of the situation in one economic zone as a whole, just as it was equally impracticable to compare the evolution of a zone with that of a State, of whatsoever size, situated outside the zone in question. Finally, the world economic situation should be studied not only for a short period of time, but also—and perhaps more particularly—for a medium length of time or for a long period.

54. Since the discussion had brought out valuable details concerning short-term economic prospects, he would stress more particularly the medium-term and long-term prospects. In that respect the various countries might be classified in various categories.

55. The first large category would comprise countries whose economic expansion was slow and regular, and which could achieve rapid economic progress only if their population increased or if the technical means of production developed at an exceptional rate. The first place in that category would be occupied by the United States of America, and a middle position by the countries of Western Europe—in particular, France—which could achieve a substantial increase in the tempo of their expansion by improving their productivity. At the lowest level of the same category would be included a number of under-developed countries which could make substantial progress only by increasing their investments.

56. A second large category might embrace those countries typified by a rapidly developing economy. In the case of some of those countries—such as Germany and Japan—the rate of development might be due to the disturbance of their economic structure by war, whereas in the case of others it might be due to the fact that they benefited from the wealth of a region relatively favourable to their development, to a sort of “regional osmosis”; for instance, Canada benefited from its geographical situation in relation to the United States, while the Netherlands had benefited from the creation of Benelux. Certain under-developed countries, moreover, possessed raw materials of such value at a given time that their development was more rapid than that of other under-developed countries.

57. Lastly, account would have to be taken of countries with an economy planned at certain stages of their development, sometimes at the expense of certain less powerful countries which had extremely close ties with them.

58. That classification of countries was based on factual observation; it did not in any way signify an acceptance

of the present situation. Over medium-term and long-term periods of observation, the main problems appeared to be those raised by the different tempo of production and standards of living, and the consequences of the divergencies thus observed on international markets. If the standard of living in the under-developed countries was to be raised, it was essential to create an infrastructure, which would demand substantial investment and very extensive technical assistance.

59. Certain standards of living could not be tolerated. In that connexion he wished to call attention to the effort made by those States which provided financial and technical assistance for the less developed countries.

60. With regard to France in particular, a considerable proportion of the existing charges on the French economy was due to the financial and technical aid provided for its overseas territories.

61. For countries which, while not under-developed, were less advanced than others, improvements depended mainly on an increase in productivity; technical progress was, however, very often hampered by habits bequeathed by the past and by the existing economic structure. Generally speaking, moreover, the economic development of a country depended on the psychological maturity of its inhabitants.

62. Certain delegations had deplored the excessive military expenditure which was a crushing burden in many countries. The French delegation also regretted the present state of affairs; but if, as the Soviet Union representative had said, the foreign financial assistance granted to France was offset to some extent by measures of a military nature, that was solely due to the international situation. France would obviously prefer not to have to incur such expenditure; and the French delegation itself was convinced that an easing of the international situation would bring a new prosperity which would spread to all States and ensure rapid economic and social development.

63. Examining next the second essential problem in its medium-term and long-term implications and from the viewpoint he had endeavoured to define, he said that the causes of the dislocation of international trade were multiple, and when trying to harmonize trade account must be taken of the differences of economic development. Thus for example, during a period of trade adjustments a change should not be made to the detriment of certain countries which had to shoulder exceptional burdens. Western Germany and Japan, for instance, having no heavy military expenditure to meet, were in a relatively more favourable position.

64. Furthermore, the internal economic development of the countries that were expanding most rapidly had its effect on external trade. Since, generally speaking, little care was taken to guide industrial development in the under-developed countries, certain industries, such as textiles, which were being established or developed there, were bound to compete with similar industries of long standing in the developed countries. The latter must take account of such changes; otherwise, serious disturbances in international trade would result.

65. International trade also suffered from the tendency of certain international creditor nations to seek too broad a security margin. Thus, statements made in the White Paper on the subject published by the United Kingdom suggested that that country wished to have at all times a slight surplus in its trade balance. Obviously, however, the world economy could not consist entirely of countries enjoying a slight trade surplus at all times.

66. Furthermore, as the Belgian representative had pointed out at the 800th meeting, in the long run fluctuations in the prices of raw materials adversely affected long-term trade.

67. Reconversion of the economy might also prove a source of disturbance to international trade, since national industries might seek to turn to production in a kindred field of activity without taking account of the economic situation of other countries. A study of the question by the Secretariat would therefore be of great value.

68. For some years past, many members of the Council had been advocating a return to freer trade conditions. France was itself animated by the same desire, though it wished that more countries would really practise the principles they enunciated. Clearly, the freedom in question could only be one which did not involve the abandonment of trade to the hazard of conflicting trends. Otherwise, discussion on the world economic situation was likely to remain academic, while the conclusions arrived at would be unreliable.

69. France, in common with Belgium and other countries, was in favour of "organized liberalism" in trade. Naturally, it must not be allowed to favour powerful countries at the expense of others. Some countries, it was true, were making much of the trade agreements they had concluded with less powerful neighbouring countries, but it was still to be seen whether those agreements had been concluded in full freedom and brought the same advantages to both sides. An organization of some kind or other would not meet the case. What was needed was "organized liberalism" based on wide economic zones with no dividing barriers between the zones. A given country might, moreover, belong to two zones, and in that case account must be taken of that fact.

70. Lastly, governments, especially those of the richest countries, must have reliable bases at their disposal on which to found decisions. It was therefore essential to establish, on the basis of reasonable and accurate data, the anticipated evolution of production and the markets for a ten-year period—say, for example, 1955–1965.

71. The world economy, he repeated, was not monolithic, and there was no single panacea for world economic problems. Nor, indeed, could there ever be such a panacea, for, whatever might be said, there was no such thing as a normal or ideal economic system, but only economies of various types in process of evolution.

The meeting rose at 6 p.m.