



# STATEMENTS AND SPEECHES

INFORMATION DIVISION  
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## SURVEY OF WORLD ECONOMY

A statement given July 18 by Mr. Lucien Cardin, M.P., Chairman of the Canadian Delegation to the 22nd session of the United Nations Economic and Social Council, in plenary meeting in Geneva. Mr. Cardin spoke on Agenda Item 2(A), "Survey of the Question of Full Employment and the Expansion of World Trade".

I would like to begin by joining the other delegations who have spoken before me in thanking the Secretary-General for the clear and perceptive statement he made when introducing this item. I would also like to thank the Directors of the Economic Commissions for Asia, Europe and Latin America for the analysis they made of conditions in these areas. Finally I would like to thank the Deputy Under-Secretary of the Department of Economic and Social Affairs and the Director of the Bureau of Economic Affairs and their staff for preparing the report entitled World Economic Survey 1955.

My delegation believes these reviews will provide a useful guide for governments in formulating economic and financial policies over the next few years. Of particular value, in our view, are those parts of the Survey dealing with the growth of production and trade during the past ten years. By providing stimulating analyses of these developments and basic statistical data, the Survey sheds new light on the current situation and facilitates a fuller understanding of many problems.

It seems to me that a most significant point emerging from these reviews is the remarkable growth that has taken place in the world economy during the past ten years. The earth now supports a larger population than ever before. The habitable area has been enlarged. Agriculture is producing larger quantities of food and raw materials. In this decade industrial output has more than doubled. Productivity has sharply increased. The volume of international trade has expanded 50 per cent. The so-called dollar gap has been narrowed from 10.4 billions in 1947 to 2.4 billions in 1954. Gold and dollar reserves have substantially increased.

An important feature of this development is that, since the hesitation of 1954, the more industrialized countries of Europe and North America seem to have generated a new phase of economic expansion. Recent growth is marked by the fact that it is stimulated and sustained by rising fixed investment and consumption of durable goods. Perhaps the significance of this can be illustrated by recalling that the previous upsurge was based on government expenditures for defence and an inventory boom resulting from the outbreak of hostilities in Korea. It has also been accompanied by a sharp increase in the volume of world trade including a five per cent increase in purchases by industrialized countries from primary producers. This expansion has not been accompanied by any serious problems of internal or external balance.

An important result of these developments is that the doubts created by the pre-war depression over the ability of free men to control economic forces has been replaced with a growing confidence that we can, to a considerable degree, harness the economy to ensure rising levels of material welfare. This new confidence has led to the adoption of a variety of measures aimed at maintaining continued economic growth under stable conditions. In recent years efforts in this direction have largely taken the form of monetary measures. Inflationary and deflationary forces seem to have been kept in a reasonable degree of balance. We may agree with the world economic survey that "one decade of prosperity provides no proof either that the world has acquired permanent immunity against the business cycle, or that the national and international remedies in its medicine chests would be sufficiently potent to cope with another of the disease". At the same time I believe it is fair to say that we have acquired a better understanding of the interplay of economic forces and increased our capacity to achieve both security and progress under conditions of freedom.

Social as well as economic benefits have been widespread. The large-scale unemployment that existed in industrialized countries in the pre-war period has been wiped out. The same areas have achieved a substantial rise in standards of living. The increased use of progressive taxation and adoption of social welfare measures have resulted in significant improvements in the distribution of income.

On the other hand my delegation is concerned over the fact that large numbers of people still live in poverty. Despite ten years of unparalleled growth the increase in living standards in under-developed countries has been far less than we would wish. Incomes have not yet grown to the point where they generate annual savings at a rate adequate to finance a continuing expansion of productive capacity per head of population. Much under-employment remains and there is still a scarcity of capital. Inflation and balance of payments difficulties have not yet been overcome.

At the same time my delegation believes that an accurate assessment of the position of the less-developed areas must also take account of the fact that they have made some real gains. As pointed out by the Director of the Economic Committee for Asia and the Far East, this and other areas are evolving a new social philosophy favourable to economic development. Furthermore, they have expanded their networks of transportation and communications and increased production of energy. They have introduced increasing amounts of modern science and technology into their countries and important advances in public education have made inroads upon illiteracy. New industries have been established. Agriculture, mining, and manufacturing have each expanded at about the same rate as in the industrial countries. While manufacturing is in the main directed to the production of consumer goods, a few of these countries have achieved a more rapid growth of heavy industry than consumer goods industry. A combination of increased exports and improved terms of trade has raised their purchasing power. Capital formation has risen significantly in both absolute amounts and in relation to output. Without in any way trying to minimize the seriousness of the situation existing in these areas, I believe it is fair to say that they have greatly strengthened their basic economic position and increased their chance of accelerating their future rate of growth.

My delegation shares the belief, expressed by the representatives of less-developed countries in this council, that the main responsibility for their future growth rests with themselves. To the extent that these countries can develop liberal trading policies, sound internal fiscal policies, equitable and effective tax systems, well-considered development programmes, and general improvements in their administration, they will increase their current income and attract more capital from at home and abroad.

The Canadian Government firmly believes that the industrialized countries can assist the developing areas by making every effort to increase and where possible stabilize international trade. We are in complete agreement with the Secretary-General that "A proper perspective requires us to bear in mind that international aid can never be an adequate substitute for stable and growing export earnings".

I would suggest that a most effective way to maintain a growing trade is for both the less-developed and the industrial countries to cooperate within the framework of the General Agreement on Tariffs and Trade. The early establishment of the Organization for Trade Cooperation to administer GATT on a continuing basis would, in our view, make the agreement still more effective.

The GATT, of course, is primarily intended to facilitate and expand trade amongst countries within a largely free-enterprise economic system. The countries that value such

a system, internationally as well as nationally, will naturally wish to safeguard and strengthen it. Nevertheless our efforts to expand trade do not need to be confined within the limits of this system. We in Canada are glad to enlarge our trade with countries which have, to use the language of the Survey, "centrally planned economies". Only this year my government reached a trade agreement with the USSR which, we hope and believe, will prove beneficial to both parties.

The Survey suggests that the world trading community is divided not into two, but into three segments: that, in addition to the "centrally planned" segment, there is also the so-called "dollar" segment and the segment based on the European Payments Union. While there is some basis for this latter distinction it should not we think be given too much emphasis. Naturally by the very fact of geography there is a very large amount of trade between my own country and the United States, which both use dollars. Naturally, the countries of Europe have a large amount of trade with each other. But statistics, apart from geography, can be misleading. Our aim should be to break down trade barriers, both within and between regions. The protection of inefficient industries is just as uneconomic, and just as undesirable, whether the competition comes from a neighbouring country or from the other side of the world.

In conclusion, I should like to follow up certain remarks made by the Secretary General. His analysis, which I found most persuasive, puts into perspective the importance of the question of commodity stabilization. I would gather from his statement that, in his view, this question overshadows two others with which we have wrestled from time to time in this Council -- the question of full employment in the industrialized countries and of special aids to development in the less-developed countries.

After identifying the problem, the Secretary-General proceeded to suggest the avenues along which we should, and should not, seek solutions. "There is no magic formula" he said "for solving the problem of commodity price stability". And again "it is not so much new machinery or new gadgets that are required: what is necessary is proper education and goodwill, both of the public and of governments."

He referred to three commodities for which some form of stabilization already exists: wheat, sugar and tin. My government is glad to be associated with all three agreements. To us, wheat is by far the most important of the three because we are one of the world's great wheat producers. Canada could get along without the International Wheat Agreement, but we greatly prefer to get along with it. We take some pride in the part we have played in getting it started and in making it work. It provides for a wide area of flexibility: prices can move between the agreed ceilings and the agreed floor without involving any members in obligations. But at the floor the consumers are

obliged to buy: and at the ceiling the producers are obliged to sell. Such an arrangement seems to us to provide, in the case of wheat, that very measure of basic stability about which the Secretary-General was so concerned, while at the same time allowing wide flexibility and adaptability to changing circumstances.

We think there are several lessons to be learned from this experiment which, on the whole, has seemed successful. First, each commodity is unique. For each product there is a group of main producers, a group of main consumers, and a set of established marketing channels. These differ from one commodity to another: no attempt to deal with wheat would have been successful.

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