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STATEMENT OF THE HON. NGUYEN DINH THUAN, SECRETARY OF STATE
FOR THE PRESIDENCY AND GOVERNOR OF THE FUND FOR VIET-NAM AT
THE DISCUSSION OF THE FUND'S ANNUAL REPORT

I would like to join my compliments to the unanimous expressions of my colleagues for the excellent Annual Report presented to us by the Fund.

The Report places emphasis on two striking facts of the year. On the one hand, the adoption of external convertibility by Western European countries is a symbol of the achievement of postwar European economic recovery at an accelerated rate. On the other hand, the Report emphasizes that the difficulties in the balance of payments experienced by underdeveloped countries are still increasing because of the continuing deterioration in the prices of primary products.

Thus, fifteen years after the Second World War, the developed countries have succeeded in solving their international payments problems and in assuring a rapid progress toward monetary stability. Meanwhile, the underdeveloped countries have not found the solution to the financial and economic difficulties which they have had to face since the end of the war. In certain respects, these difficulties have even increased.

I recognize that many underdeveloped countries, because of their inexperience and lack of "know-how" are not always able to work out adequate policies and have had to find their way toward solutions by a process of trial and error. But even with a particularly appropriate policy, even with the substantial assistance of friendly countries and international organizations, such as the Fund and the Bank, even at the price of very heavy sacrifices, I wonder whether they really have a chance to initiate a sustained process of growth?

This does not seem to me possible. As long as the prices of primary products suffer from violent fluctuations, all effective planning is impossible. So long as prices continue to deteriorate, any increase in production will be cancelled out. This problem of price fluctuations and continuing depreciation is not only a critical problem for the underdeveloped

countries--it endangers the very system of international free trade itself. The instability of prices is still further aggravated by other factors which at times have cumulative effects.

Thus we have instances of Communist "dumping" which, although sporadic, gives serious trouble to certain countries by throwing on the market the raw materials which these countries produce: cotton products to the prejudice of India, tin to the disadvantage of Malaya, rice at the expense of traditional rice-producing countries.

Further, there is the lack of organization of the Free World's production. Let us consider, for example, the rice problem: on the one hand, some countries, such as India or Japan, periodically decrease their rice imports and substitute other foodgrains furnished them at very low prices, and, often, even as gifts.

On the other hand, while traditional rice-producing countries year by year try to increase their output through extension of acreage, mechanization and the intensive use of fertilizers, other countries, among them some of the industrial nations, begin cultivation or expansion of the same crops.

The consequence is obvious; this new or added competition throttles the exports of underdeveloped countries whose rice constitutes their main foreign exchange earner.

What is true of rice is also true for other products: natural rubber, for example. Besides the permanent competition of synthetic rubber, recent information indicates that the United States and Great Britain have available to place on the world market--during a period of between six to nine years--nearly 600,000 tons of natural rubber from stocks built up long since. If that eventuality comes to pass, serious impact on the world market for this product must be expected. Inevitably, this will seriously disturb the economies of rubber producing countries.

This is one question we can no longer afford to ignore or sweep under the carpet. We must find means of stabilizing the world prices of those primary products which are the life blood of so many underdeveloped countries. A way must be found to assure the underdeveloped countries that they will be able to rely for a determined period on a minimum level of foreign exchange earnings or income from the sale of their principal products on which they so desperately depend. I say with extreme gravity--a system which cannot solve this problem on which the livelihood of two-thirds of the world's population depends, is condemned because it never can achieve stability and prosperity in the world.

The policy of the Fund has been both courageous and farsighted in insisting over many years on the urgency of this world problem. It is time that we seek new solutions even at the price of a revision of ideas widely accepted in the past. In my opinion, the problem of primary products can only be solved by new, bold and imaginative solutions.

We suggest that the Fund should, without delay, undertake a study of this world problem. The Report of the Executive Directors has already emphasized how great a contribution could be made by an adequate policy on

the part of developed countries in correcting these trends. I quote:
"In this respect, industrial countries have often shown an unfortunate tendency to give far greater weight to the interests of small groups of domestic producers than to the interests either of the large body of primary producers abroad or of consumers at home."

It is our recommendation that industrial countries take steps to limit their marginal agricultural production of primary products instead of having to support uneconomic surplus programs.

The Fund itself could play a very important role by working out a scheme of financing surplus stocks. A total or partial financing of any carryover portions of the international surplus would greatly contribute to the stability of currencies and help to eliminate violent price fluctuations.

It might be well to examine also what the underdeveloped countries can do themselves in the solution of this problem. In my opinion, one of the most effective steps for the underdeveloped countries would be an abandonment of economic nationalism. We must work toward the establishment of regional common markets for the products of our infant industries. This would help us to overcome the limitations of the market and thus open the way toward the diversification of our economies.

In conclusion, we appreciate the recognition given in the Annual Report to the critical situation of the primary producing countries. But we very much look forward to a more comprehensive study of the commodity price problem, accompanied by the recommendation of practical measures for concerted international action. Then, and only then, will the extended resources of the Fund and their prescription of orthodox monetary remedies be effectively useful to primary producing countries.