

# GENERAL ASSEMBLY



Wednesday, 17 December 1952, at 10.30 a.m.

## SEVENTH SESSION

Official Records

Headquarters, New York

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Chairman: Mr. Jiří NOSEK (Czechoslovakia).

## Report of the Economic and Social Council, chapter II (A/2172 and A/C.2/L.194) (*continued*)

[Item 11]\*

1. Mr. CECH (Czechoslovakia) said that his delegation had been particularly interested in two sections of chapter II of the report: section I on the world economic situation and section II on full employment and measures for international economic stability.

2. Many delegations had already stressed that the capitalist economic system hampered social progress and the improvement of living standards. The representatives of the under-developed countries had pointed out the difficulties affecting the economic and social situation in their countries; they had spoken of the fall in the prices of primary products on which the economy of their countries was based; they had described the poverty in which the people of their countries lived; they had said that the under-developed countries were unable to obtain the capital equipment necessary to their development programmes; and they had referred to the deficits in their balance of payments and to the customs barriers which hampered international trade. The Czechoslovak delegation itself had had occasion at the fourteenth session of the Economic and Social Council to compare the development of the economic situation in the Peoples' Democracies and the capitalist countries.

3. The divergence between the two trends had persisted and the Czechoslovak representative's observations still held good: the Peoples' Democracies continued to advance and to raise the living standards of their peoples in an atmosphere of peace, while the capitalist countries continued to endanger international peace and security by militarizing their economies, to the detriment of the economic and social situation of the working masses.

4. Continuing the comparison, he turned first to the economic situation in the United States and the other

capitalist countries. All the factors which were typical of the present-day capitalist economy and which hampered economic development, were primarily due to the policy of American capitalism, a policy which consisted in exploiting and enslaving whole populations and disorganizing the economy of the other capitalist countries. Its effect was to jeopardize world economic stability and destroy international economic co-operation. Accordingly, American capitalism, which had launched a war of aggression against Korea and was trying to create a war psychosis, had placed the economy of the capitalist countries on a war footing. A study of their budgets provided a very clear picture, despite clever budget manipulation, of the degree to which the economies of the United States, the United Kingdom, France and other capitalist countries had been militarized. The total United States budget, for instance, had risen from \$2,500 million in 1938-1939 to \$51,200 million in 1952-1953, to which must be added an appropriation of \$10,800 million for foreign aid under the so-called Mutual Security Programme. The United States budget for 1953-1954 would be \$85,000 million, including \$55,000 to \$58,000 million for military expenditure, \$7,500 million for foreign aid and \$3,300 million for atomic energy development. He also quoted figures from the budgets of the United Kingdom, France and other countries of the North Atlantic Treaty Organization to show that those countries were devoting most of their expenditure to rearmament. Such militarization led to reduced production of consumer goods and thus adversely affected the living standards of the people—a fact recognized by such publications as the *Wall Street Journal* of 21 May 1952, in the United States, and *Notes et études économiques* of 4 October 1952, in France. It was an undoubted fact that the militarization of economies was being carried out to the detriment of certain branches of the civilian sector.

5. The militarization of the economy for the benefit of the American monopolies had also led to the stockpiling of strategic materials. Since the end of the Second World War, American imperialism had devoted all its

\*Indicates the item number on the agenda of the General Assembly.

efforts to taking over the world's raw material resources, gaining control of the world raw materials market and accumulating vast stocks of raw materials. Strategic stockpiling involved great dangers for world peace and the economic development of the under-developed countries. As for the relations between the United States and the other capitalist countries, it was natural that in the struggle for raw materials the United States should have come into conflict with the other imperialist powers, in particular the United Kingdom. The United States had endeavoured to keep Great Britain in a permanent state of subordination, and its Government had sought by every possible means to interfere in the relations between Great Britain and its Dominions, for instance by concluding economic and military alliances, such as the Pacific Security Treaty, from which the United Kingdom was excluded.

6. American capitalism was seeking to supplant British capitalism in all the areas of British influence. The tendency was blatant in connexion with oil. Before the Second World War, American capitalism had controlled 36 per cent of the world petroleum industry, British capital controlling 51 per cent. In 1951 the United States controlled 55 per cent of all the oil wells, while the United Kingdom controlled only 35 per cent. In the Middle East, American monopolies had increased their holdings in oil companies from 13 per cent in 1937 to 58 per cent. Oil was but one example; the situation was substantially the same in the mining industry and all the industries of strategic importance.

7. The United States Government also exercised pressure on the capitalist countries to compel them to break their traditional relationships with the peace-loving Powers, the Union of Soviet Socialist Republics, the People's Republic of China and the other People's Democracies. It had long ceased to respect the principle of national sovereignty and had resorted to economic pressure to achieve its political objectives and interfere in the domestic affairs of other States. Moreover, it did not hesitate to break its contractual agreements with other Powers: it had unilaterally broken off its contractual obligations to Czechoslovakia under the General Agreement on Tariffs and Trade.

8. The United States was forcing on other States a policy that was not in conformity with their interests. The economies of the capitalist countries were thus subordinated to the interests of the American monopolies, which were preparing a third world war, a war of aggression against the USSR and the People's Democracies. In violation of the principles of the United Nations Charter, the United States was attempting to weaken other Member States in order to deprive them of their economic or political independence.

9. Mr. Cech contrasted those policies with economic conditions in the People's Democracies, which were working hard to rebuild their economy in an atmosphere of peace, and had already achieved results of which they could be proud.

10. Czechoslovakia, in particular, was engaged in rebuilding its economy with the enthusiastic support of its people and the friendly assistance of the Soviet Union. Recalling the destruction suffered by Czechoslovakia under the German occupation and during the war, he said that, by 1948, Czechoslovakia had already restored its industrial output to the 1937 level. In 1949,

production had been 126 per cent greater and in 1951, 160 per cent greater than in 1937. The increase in production was accompanied by an increase in national income, which by 1951 had already increased by 168 per cent over the 1937 level. In the five-year period from 1946 to 1950, the total volume of wages and salaries in Czechoslovakia had risen from 40,000 million to 85,000 million crowns.

11. The increase in production was also accompanied by an increase in budget appropriations for education, public health and social welfare. In 1952, appropriations for education had exceeded the 1951 appropriations by 28 per cent. Public health appropriations in 1952 exceeded the 1951 figures by 113 per cent. Those figures gave a sufficiently clear indication of the progress of Czechoslovakia's peace economy.

12. The other People's Democracies had made similar progress. He cited figures on industrial production in Hungary, Bulgaria, Romania, Albania, the Democratic Republic of Germany and the People's Republic of China. The last-mentioned country, in particular, now liberated from exploitation by foreign capital, had made gigantic strides in industrial development. In one year, production in the heavy industries had more than doubled; steel production had risen by 294 per cent, the output of non-ferrous metals by 190 per cent, and the production of electric power by 289 per cent. In 1951 the production of capital goods had exceeded the 1950 level by 20 per cent. By means of land reform, moreover, the Central People's Government of the People's Republic of China had, for the first time in China's history, succeeded in coping with the famines which had periodically ravaged that country.

13. All the People's Democracies pursued a policy of close mutual co-operation. Their relations were based on the principle of equality and mutual assistance. They benefited greatly from the experience of the Soviet Union and the technical assistance furnished by that Power, which was helping them to construct their socialist economies. That was why Czechoslovakia, like the other People's Democracies, maintained relations of unfailing friendship with the USSR and stood beside that country in its great struggle for peace.

14. Mr. SASTROAMIDJOJO (Indonesia) said that the world economic situation had noticeably improved in 1951 in comparison with 1950. At the end of 1951 and during the first six months of 1952, however, the economic situation had given reason to fear a business recession and even an economic crisis might be on the way; warning signs of such a trend had been noted by the Economic Commission for Europe in its report for 1951 (E/ECE/140/Rev.1). The threat of a crisis now seemed to have disappeared. In Western Europe, the production of consumers' goods had recovered, unemployment had decreased and the financial and currency situation had improved.

15. Despite that encouraging picture, there were some factors that might endanger the world economy. First of all, \$80,000 million were going each year into the production of armaments. Present economic developments could not, of course, be attributed to armament expenditure alone, any more than the crisis that had been expected after the Second World War had been warded off merely thanks to war preparations. It seemed, however, to be undeniable that the present favourable economic situation was due to non-economic factors.

16. Areas producing primary products were acquiring, through the sale of their goods, purchasing power which should enable them to obtain manufactured articles. That, however, was not always the case. The supply of manufactured goods did not always correspond to the amount of currency available, and that led to monetary disequilibrium. In the areas producing primary products that disequilibrium was causing inflationary pressures. A country could not, of course, convert its entire available purchasing power into manufactured goods, because it had to maintain a sufficient currency reserve to ensure the convertibility of its currency. However, the exchange which a country was unable to use represented purchasing power the accumulation of which led to serious inflation. Lastly, a great part of the primary commodities purchased by industrial countries was used for non-economic purposes. In some of those countries inadequate supply also led to monetary disequilibrium.

17. The dollar shortage affecting the countries of Western Europe was caused by the stagnation of international trade. The United States had done much to aid those countries by granting them dollar credits, but that aid could not solve the problem permanently. Monetary equilibrium in Western Europe could only be established through dollar investments in that area or through an increase in exports to the dollar area.

18. There were also many factors hampering trade between Eastern and Western Europe. The Economic Commission for Europe had recognized that East-West trade would help to promote the full utilization of world production.

19. Finally, there was a serious disequilibrium in the trade between the countries producing primary products and the industrialized countries. Generally speaking, the former imposed no restrictions on the export of their products, but when they wished to import capital and consumer goods, they met with obstacles placed in their path by the industrialized countries, such as licences and other similar measures.

20. There could be no doubt that all those difficulties impeded the development of international trade. The extremely vulnerable nature of the economy of the under-developed regions added to the disequilibrium of the world economy. It would be recalled in that connexion that on the outbreak of the Korean war the prices of primary goods had risen considerably. The countries producing primary goods had obviously benefited from that rise. The consequent demand for capital goods and manufactured articles had stimulated international trade and had contributed to an increase in production and employment in the industrial countries.

21. The rise in the prices of primary products was not caused by lower supply but in higher demand, which had, in its turn, led to a rise in the price of manufactured articles. There had of course been a time-lag in that "automatic adjustment" though it had been accelerated by action on the part of certain governments. That action had obviously not destroyed all the advantages that had accrued to the primary goods-producing countries, but it had certainly reduced the intensity of the fluctuations in the terms of trade. It should not be concluded from their recent development that the terms of trade had become consistently favourable to the countries producing primary products. As a result of armaments production, moreover, those countries had been unable to obtain all the manufactured goods they needed, which

had caused inflation, further aggravated by the increase in exports.

22. The prices of primary products were now showing a falling trend, and the terms of trade had turned against the under-developed countries. There would certainly be a fresh "automatic adjustment" in that the prices of manufactured articles would fall in their turn. But the under-developed countries could not, like the industrial countries, take steps to swing the terms of trade in their favour.

23. Owing to the decline in their exports, the under-developed countries were compelled to cut their imports. Their budgetary position also was becoming precarious, since it depended directly and indirectly on their exports. While the economic position had improved recently in Europe, the same was not true of the under-developed regions, which were trying to check the inflationary pressures which were hampering their economic development.

24. The enumeration of those various factors was enough to show that the world economic situation could not at present be considered entirely satisfactory. The rearmament programmes were imposing too heavy a burden on the budgets of the Western European countries; and their dollar shortage was causing trade stagnation. Those countries were therefore suffering economic disequilibrium. It must not be forgotten, however, that the under-developed countries had suffered economic disequilibrium even during the rise in the prices of primary goods. When the main cause of the inflationary pressures in the under-developed countries had been the increase in their exports, those countries were able to reinforce the anti-inflationary effect of imports by fiscal measures. It was now harder for them to remedy inflation, which occurred principally in the towns, while the rural areas suffered from a lack of purchasing power.

25. The Committee's discussions had shown how difficult it was to study world economic problems objectively and to find solutions for them. So far as the dollar shortage was concerned, remedies were at present being attempted along three lines. The first was the establishment of the European Payments Union, which had to a large extent succeeded in achieving convertibility between European currencies. It was seeking to remedy the dollar shortage by placing dollars at the disposal of areas needing them, which would thus be able to implement their development programmes, particularly by means of "offshore" orders placed with countries members of the Organization for European Economic Co-operation. That bold plan showed that its authors did not regard the dollar shortage as a regional but as a world economic problem. Unfortunately, the plan did not indicate clearly how the under-developed countries were to obtain dollars.

26. The countries of the British Commonwealth, for their part, were also trying to solve the same problem. It seemed certain that in one way or another, perhaps by means of a loan, the dollars would be made available to those countries. The abolition of the dollar shortage in such an important area would certainly help to extend currency convertibility.

27. The third attempt was that undertaken by the Council of Europe when it proposed the "Strasbourg Plan". That Plan was the product of an organization

without executive competence, unlike the European Payments Union or the British Commonwealth. It was directed towards the development of under-developed areas having constitutional links with the countries of Western Europe. If those areas could produce larger quantities of primary products that would obviously enable Western Europe to reduce its dollar spending. Further, those countries could acquire dollars for Western Europe by increasing their exports to the United States. The Strasbourg Plan provided for the creation of a financial institution for the development of those under-developed areas. Furthermore, it contained long-term measures designed to ensure participants a stable market. In order to stimulate trade between the metropolitan territories and the less-developed areas, the plan also provided for the establishment of a preferential tariff system.

28. His delegation thought that the Strasbourg Plan was not without certain dangers. In the first place, it recalled the mercantilist system of colonial days, when the colonies furnished raw materials for the industries of the metropolitan countries and consumed the manufactured articles produced by those industries. Such a system was no longer admissible; sooner or later, the colonies must disappear. It would be going against the tide of history to establish a system based on outworn conceptions.

29. There was one fundamental objection to the Strasbourg Plan: the discussions in the United Nations had emphasized the need to increase the prosperity of the under-developed countries by means of industrialization. The authors of the Strasbourg Plan to some extent recognized that need but in their view the under-developed countries must continue to be mainly suppliers of primary products. It was hard to understand how on that basis standards of living in the under-developed countries could be appreciably raised. The under-developed countries of the British Commonwealth, it might be noted, had made industrialization an important objective in their development programmes. The authors of the Strasbourg Plan also erred in thinking that the industrialization of those countries would result in a shortage of primary goods and a shrinkage in the market for manufactured articles.

30. In any event, the under-developed countries had no intention of becoming exclusively industrial. Indonesia, for example, was trying to increase its production of primary products while at the same time developing its industries. As for the fear of losing markets, that merely showed a lack of confidence and imagination. The industrialization of the under-developed countries would unquestionably increase the demand for capital goods. Furthermore, the increase in the population of those countries helped to raise effective demand. Finally, if the under-developed countries were to become prosperous their purchasing power would increase.

31. The application of the Strasbourg Plan would involve discrimination against certain consumer countries and certain primary goods-producing countries. Consumer countries outside the Western European group would not be able to compete in the markets of areas having constitutional ties with the West European countries. Moreover, the under-developed countries which had no constitutional ties with the West European countries would not be included in the preferential tariffs system.

32. For all those reasons, his delegation considered the Strasbourg Plan a retrograde step. It had been repeatedly asserted in the Committee that the problems facing the under-developed countries must be solved as a whole. The Strasbourg Plan invited the West European countries having no constitutional ties with any under-developed areas to join the group. Why not issue a similar invitation to countries outside Western Europe, or to primary goods-supplying countries having no constitutional ties with the consumers of primary products?

33. The three plans he had mentioned showed that generally speaking it was recognized that the problem concerned not only Western Europe and the dollar area, but also the under-developed areas, whose purchasing power must be increased.

34. The Second Committee had devoted a great deal of time to the question of the economic development of the under-developed countries. The responsibility for putting into effect their development programmes rested primarily with those countries themselves. To do so, they needed capital and technical knowledge. Doubtless the investor was generally cautious; but so was the borrower. The capitalist wanted guarantees and satisfactory profits; the countries in which capital was invested feared that they might be exploited and held in a state of economic dependence. The apprehensions of both parties should therefore be taken into consideration.

35. The Argentine draft resolution (A/C.2/L.162/Rev.2) had given rise to an interesting debate on economic stability. His delegation fervently hoped that the General Assembly would adopt that draft resolution, which emphasized certain factors which might facilitate the solution of a problem whose importance all must realize.

36. Whatever the fate of the Argentine draft resolution, however, the Indonesian delegation would like to invite the Economic and Social Council to undertake a careful study of the problems raised by the economic instability of the under-developed countries. It also asked the Council to consider the idea of a commodity-currency reserve, which it had briefly touched on in an earlier statement.

37. The buffer-stocks necessary for the establishment of such a commodity-currency reserve would help to stabilize the level of production and prices. The financing of those stocks could be effected almost automatically if they served as the basis of a monetary system. Theoretically, that would provide a means of increasing the economic stability of all countries by mitigating the intensity of cyclical fluctuations. In addition, it would facilitate a solution of the problem of currency convertibility. The idea might appear revolutionary; but it had not yet been studied in sufficient detail, and he therefore called it to the Committee's attention in the hope that it might be possible to give effect to some such proposal, thereby obtaining the co-operation of all countries, whether developed or under-developed.

38. Mr. RUYGERS (Netherlands) said that as a member of the Netherlands parliamentary delegation to the Council of Europe he had attended the Strasbourg discussions in September last, on methods for achieving closer co-operation between the economies of the States members of the Council of Europe and those of the

overseas countries having constitutional links with them. He therefore wished to reply to the comments on that subject made by the Indonesian representative during the general debate (215th meeting) on item 25 of the agenda and in the statement he had just made.

39. To begin with the Strasbourg Plan was in no way intended to replace political colonialism by economic colonialism. The only reason for the Strasbourg conference had been the dollar shortage, which was one of the most serious economic problems of the day. That problem did not only affect the West European countries, but also a great many non-European countries, colonial territories as well as independent States. In trying to solve that problem Western Europe was not pursuing a colonial policy; on the contrary, the salutary effects of the measures it was taking, which were purely economic, would undoubtedly be felt beyond its frontiers.

40. The resolution adopted at Strasbourg was in the interests of the territories or areas which had maintained constitutional ties with Europe no less than those of the European countries themselves. That was clear from the preamble, which stated that the main purpose of the economic development of the overseas territories should be to raise the standard of living of their peoples by the integrated development of their resources.

41. In addition, the resolution proposed the creation of a European investment bank, in order to enable all the countries of Western Europe—not only the metropolitan Powers or former metropolitan Powers—to take part in the economic development of the overseas territories. Such wide participation undoubtedly offered a positive safeguard against the birth of new colonialism.

42. The adoption of the Strasbourg Plan in its present form was in no way a final act. On the contrary, certain aspects of the Plan were still to be studied: for example the question of the convertibility of the dollar and the pound sterling had not yet been settled. Moreover the OEEC in Paris and the Mutual Security Administration in Washington were studying similar plans, while the Conference of the Commonwealth Prime Ministers at present meeting in London was to discuss the Strasbourg Plan which had been submitted to it. It was clear therefore that studies were still in the initial stage: the so-called Strasbourg Plan was no more than a contribution to the solution of one of the really important economic problems of the post-war world.

43. As an international organization, the United Nations could not ignore the Strasbourg conferences. If, as

often happened, a smaller assembly could contribute to the solution of a difficult problem, there was no reason why the United Nations should take offence. Indeed, it was to be hoped that all the members of the Committee would closely follow the developments at Strasbourg not only in a critical but in a constructive spirit.

44. He turned to the statement made by the Polish representative at the previous meeting, in which he had referred to an article in the *Christian Science Monitor* of 11 November to illustrate the present economic situation in the Netherlands. In reality the Polish representative had torn certain passages of that article from their context in order to give a distorted picture of the situation in countries such as the Netherlands which had been forced to rearm in order to protect their freedom. Mr. Ruygers then read three extracts from the same article, stating that the economic outlook for the Netherlands was better in 1952 than at any time since the war, and that the Netherlands had succeeded in 1952 not only in liquidating its adverse balance of trade, but also in achieving a creditor position in the European Payments Union; he quoted a statement by the President of the Netherlands Bank according to which the Netherlands had at least for the time being solved its balance of payments problem.

45. Mr. LUBIN (United States of America) reserved his delegation's right under rule 114 of the rules of procedure, to reply at the end of the general debate to certain delegations which had criticized his Government's policy.

#### **Draft report of the Committee (A/C.2/L.195)<sup>1</sup>**

46. Mr. HALIQ (Saudi Arabia), Rapporteur, presented the Committee's draft report to the General Assembly on item 25 (A/C.2/L.195), and pointed out that the words "would be fully discussed in the coming year" in paragraph 22 should be replaced by the words "would be fully discussed in the Economic and Social Council and at the next session of the General Assembly". The word *diffusion* in the last paragraph of resolution V B (French text) should be replaced by the word *publicité*.

The meeting rose at 1.10 p.m.

<sup>1</sup> The Committee's report to the General Assembly on item 25 was submitted under document number A/2332.