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Chairman: Mr. Jiří NOSEK (Czechoslovakia).

In the absence of the Chairman, Mr. Hadwen (Canada), Rapporteur, took the Chair.

AGENDA ITEM 12

Report of the Economic and Social Council (chapters II, III, IV and V) (A/3613, A/3661) (*continued*)

GENERAL DEBATE (*concluded*)

1. Mr. LY CHINLY (Cambodia), after expressing his delegation's appreciation of the World Economic Survey, 1956 (E/2982), the report of the Economic and Social Council (A/3613), and the reports of the regional economic commissions (E/2959,^{1/} E/2989,^{2/} E/2998^{3/}) and the statement of the Under-Secretary for Economic and Social Affairs (454th meeting), said that it was generally agreed that there had been some decline in the rate of economic growth in the year under review. Attention was focused on the problems of inflation and of economic development.

2. Cambodia's problems were the same as those of other under-developed, predominantly agricultural countries. The Government was striving to raise levels of living, develop resources and re-organize the economy on modern lines after nearly a century of foreign domination. Irrigation work had been undertaken and thousands of acres of land had been made available for cultivation. Agricultural co-operatives were being established, and a "back to the land" movement was being organized to persuade the peasants who had fled to the capital in the times of trouble to return and settle on new lands provided by the Government.

3. The Government was also attempting to develop export markets and had signed trade and payments agreements with friendly Powers, such as the People's Republic of China, India, Czechoslovakia, the Soviet Union and Yugoslavia. Other negotiations were in progress or pending.

4. In its efforts to promote economic development, Cambodia had received valuable technical assistance from the United Nations and of economic aid from friendly countries, in particular the United States of America and France. France was helping in the construction of a port at Kompong Som and an airport while the United States was assisting in the construc-

tion of a 227-km. highway between Kompong Som and the capital. Help had also been forthcoming from the Colombo Plan countries, notably Australia, Canada and New Zealand, from the People's Republic of China, which was to undertake the construction of textile, cement and paper works, from the Soviet Union, which was to build a 500-bed hospital, and from Poland, Czechoslovakia and Yugoslavia. Cambodia was grateful for the generous aid it had received, which had been offered without political conditions, and had enabled it to carry out its first two-year plan.

5. Under the development plan Cambodia had successfully expanded its rubber production, and like other primary commodity exporting countries, viewed with concern the competition of synthetic products and the rise in the prices of manufactured products, both of which had had serious effects on the country's trade balance.

6. His delegation believed, as its Chairman had said at the 689th plenary meeting of the General Assembly that sincere and honest economic co-operation between large and small nations was probably the most effective means of promoting international understanding and peace, and would make every effort to encourage such co-operation.

7. Mr. KRIVEN (Ukrainian Soviet Socialist Republic) said that although the Economic and Social Council had done useful work, it had not taken all the measures it could have done to extend and consolidate economic co-operation and peaceful co-existence.

8. Certain problems had been on the agendas of the Council and the General Assembly for years, but no constructive action had been taken to deal with them. No extensive assistance, for example, had been provided to promote the industrialization of the under-developed countries, to accelerate the development of the various branches of their national economies or to raise the material and cultural levels of their peoples.

9. The development of his country's socialist people's economy was directed towards the single goal of satisfying the steadily growing material and cultural requirements of the entire population and in the 40 years since the October Revolution great strides had been made in all spheres of economic and cultural development.

10. Whereas the pre-revolutionary Ukraine had been dominated by foreign monopolist capital which had regarded the country as a colony and a source of raw materials, the Ukrainian Soviet Socialist Republic was now a highly developed industrial country. In 1956, it had produced 18.3 million tons of steel, extracted 137.9 million tons of coal and manufactured a large variety of machines and other industrial products. Despite heavy wartime destruction, the gross industrial product of the Ukraine in 1956 had been eighteen

^{1/} Official Records of the Economic and Social Council, Twenty-fourth Session, Supplement No. 2.

^{2/} Ibid., Supplement No. 6.

^{3/} Ibid., Supplement No. 8.

times greater than in 1913. The production of electricity had increased by 1956 to sixty-five times the 1913 level and new branches of industry, including the manufacturing of tractors, aircraft, instruments, chemicals and machine tools had been established. Thanks to the country's industrialization, agriculture was making successful advances, taking full advantage of the achievements of agricultural science and modern production methods.

11. Although there were still certain shortcomings and difficulties in both industry and agriculture, the situation was being frankly discussed, and the shortcomings were being criticized with a view to their elimination and the improvement of the entire work programme. During 1957, workers in all branches of industry were working persistently to fulfil the planned goals for the year: they would supply the country with 152 million tons of coal, 19 million tons of pig iron, 20 million tons of steel and 16 million tons of rolled products. The engineering industry would produce 72,000 tractors, over 1,700 excavators, 530,000 electric motors, many new types of high output automatic machine tools and various other types of machinery. In addition, over 6.7 million square metres of housing space would be put into service in the course of the year, nearly two million square metres more than in the preceding year.

12. The radical reorganization in the management of industry and construction, reflected in the abolition of several economic ministries and the organization of national economic councils on the basis of economic administrative districts, would provide an opportunity for the soundest possible combination of centralized State control with the maximum development of the creative activity and initiative of all workers in the economic districts.

13. The fact that in 1956 nearly 50,000 specialists had graduated from institutions of higher learning and over 100,000 specialists from special secondary institutions was indicative of the advance made by the country's socialist economy.

14. Commenting on the statements in the World Economic Survey, 1956 and in the Council's report that large-scale capital investment for purposes of industrialization in the Soviet Union and the other socialist countries had been made at the expense of a reduction in the output of consumer goods, he stressed that the immediate development of the branches of industry producing the means of production had been and was being carried out concurrently with the development of light industry, the food industry and agriculture and with an increase in the welfare of the entire population. The Cuban representative at the 463rd meeting had taken the facts about shortcomings out of their context and had misrepresented the situation in the socialist countries. The latter would achieve the goal of overtaking the United States in per capita production and, as in the past, the doubters would be confounded.

15. In working to achieve the all-round peaceful development of their economies, the socialist countries strove for an expansion and consolidation of economic co-operation with all other countries and believed that the Committee and the General Assembly should make every effort to solve the problem of increased aid to economically under-developed countries. For that reason, his delegation supported the establishment of

the Special United Nations Fund for Economic Development and all other collective activity by the United Nations to accelerate the economic development and industrialization of the under-developed countries. The extension of economic co-operation between all the countries of the world, based on the principles of equal rights, respect for the sovereignty of all countries, mutual economic advantage, friendly assistance and non-interference in the internal affairs of other countries, would contribute greatly to that end, as would the elimination of the artificial barriers to international trade employed as cold war weapons by the great imperialist Powers. Steps should also be taken to deal with the problem of the low prices of the raw materials the under-developed countries exported and the high prices of the manufactured goods they had to import. That situation had resulted in huge profits for the monopolies but, as the representatives of Indonesia, Brazil, Uruguay, Ceylon and other countries had shown, it did great harm to the under-developed countries.

16. The representatives of Indonesia and other countries had rightly drawn attention to the dangers of the European Common Market. The Market would undoubtedly be used to further the interests of the monopolies and a small group of countries, at the expense of the under-developed countries.

17. The economic situation, especially in the major capitalist countries, in 1956 and 1957 did not justify the optimism expressed by the Belgian representative at the Committee's 458th meeting concerning prospects in the Western European countries and the United States. Nor was any consolation to be found in the United States representative's statement that his Government would take the necessary steps to eliminate inflation. Inflation in the capitalist countries had assumed menacing proportions and was seriously hampering all economic development in those countries.

18. In his delegation's opinion, many of the difficulties in the economies of Western Europe and the United States were connected primarily with the huge expenditures on armaments which, despite the Soviet Union's recent unilateral reduction in its armed forces and military expenditures, had continued to increase. The United States representative's assertion that armament expenditure was forced on the Western countries by the Soviet refusal to reduce its armed forces was utterly unconvincing; the fact was that at the London meetings of the Sub-Committee on Disarmament both the United States and the United Kingdom had rejected all the Soviet disarmament proposals. There was no doubt that a reduction in armed forces and military expenditures would further economic development by releasing for peaceful purposes resources at present squandered on non-productive armaments.

19. The Ukrainian delegation believed that the United Nations and its organs should seek ways and means of extending peaceful economic relations and peaceful co-operation and competition between various social systems in the spheres of economics, technology, science and culture.

20. Accordingly, it supported the proposals for the convening of a world economic conference to consider important peace-time economic problems and for the convening of an international conference to deal with questions of aid to economically under-developed countries. Other helpful measures would be the inten-

sification of the work of the regional commissions and the establishment of an international trade organization within the framework of the United Nations. His delegation believed that the adoption of the proposals of the Soviet Union (459th meeting), Romania (455th meeting), Bulgaria (459th meeting) and Czechoslovakia (458th meeting), would contribute to a further development of peaceful economic co-operation, which was the true path to economic progress and to the maintenance of world peace.

Mr. Nosek (Czechoslovakia) resumed the Chair.

21. Mr. WOULBROUN (Belgium), commenting on the Ukrainian representative's reference to the Belgian delegation's unjustified optimism, said that in fact he had made no prophesies. He had simply said that even if current restrictive trends continued there were reasons to hope that growing needs and rising demand as well as the progress of modern technology would provide a fresh stimulus to the world economy in the longer view. It had surely not been presumptuous to express such a hope.

22. Mr. ABDEL-GHANI (Egypt) noted with pleasure that the Sudan had been elected to succeed Egypt on the Economic and Social Council. The Sudan, engaged as it was in its economic and social reconstruction, would be able to give valuable advice to other new countries. Egypt's six years' experience in the Council had taught it to appreciate the value of the studies and reports produced by the Secretary-General and his staff at the Council's request. The documents provided Governments with data upon which to base their own deliberations, and discussions in the Council focused attention on world economic problems and objectives. His delegation would endorse any proposal for reinforcing the machinery for the preparation of such reports but felt that the Council ought to go beyond the mere initiation and discussion of surveys and assume its full responsibilities under the Charter. The Council had in fact already demonstrated its capacity to take more positive action by adopting resolution 662 B (XXIV) at its twenty-fourth session, for the immediate establishment of the Special United Nations Fund for Economic Development. He could assure the Committee that the speedy implementation of that resolution would win the Organization the support of the people of many less-developed countries which required assistance, particularly in the form of long-term and medium-term loans, to supplement their national resources.

23. Technical assistance was another field in which real progress was being achieved. His delegation shared the view expressed by many delegations that the scope of the programme must be enlarged and at the recent Technical Assistance Conference had announced its Government's readiness substantially to increase its future contributions to the Expanded Programme of Technical Assistance if and when the major contributing States did likewise. Those were two of the fields in which the Council could take constructive action; others had been pointed out by the representatives of India and Yugoslavia.

24. The subject of inflation had particularly engaged the attention of the Economic and Social Council in its report and of the Under-Secretary for Economic and Social Affairs in his opening statement (454th meeting). The subject was a controversial one and the

Committee was not an appropriate forum in which to engage in academic analyses of causes and effects; he would therefore confine himself to some practical remarks.

25. As the President of the International Bank for Reconstruction and Development had said in his address to the Board of Governors on 23 September 1957, the largest single cause of imbalance was the volume of unproductive investment which Governments felt they had to undertake, one obvious item being military expenditure. His delegation earnestly hoped that the present session would see substantial progress towards a solution of the disarmament question for that would remove one of the mainsprings of inflation. The smaller countries could but appeal to the larger ones to seek to release the immense resources at present devoted to unproductive and potentially destructive purposes. His delegation therefore wholeheartedly supported Council resolution 654 B (XXIV) on the reduction of armaments expenditure.

26. With regard to measures to combat inflation, whereas the industrialized countries relied chiefly on monetary methods, under-developed countries found it necessary to resort to other measures, including fiscal and other physical controls, because their financial institutions were relatively undeveloped and their money and capital markets limited and because the public sector assumed a greater role, particularly in the promotion of economic development. However, as the Under-Secretary for Economic and Social Affairs had recognized (454th meeting), the task was not a simple one; it was difficult to increase taxation and saving in the under-developed countries and a moderate increase in prices, particularly consumer prices appeared inevitable. The difficulties of the under-developed countries were increased by rising import costs and the deterioration in the terms of trade resulting from inflationary conditions in the industrially developed countries. The consequent reduction of their capacity to import the capital equipment needed for development was adding to the widening gap between their economies and those of the advanced countries. The vulnerability of the primary producing countries was well known and every effort should be made to check the unfavourable movement in world price relationships; as the Under-Secretary for Economic and Social Affairs had said, the problem bore closely on one of the main areas of responsibility of the United Nations. He was glad to see that special attention had been given to that subject in paragraphs 142 to 150 of the Council's report.

27. Egypt's own vulnerability stemmed from two factors: its dependence on a few export products and its reliance on a few export markets. Egypt had been striving in recent years to diversify production but that was a long-term matter and the full results would not be felt for many years. The second problem was susceptible of more immediate solution and Egypt's policy in that direction had enabled the country to face the economic and monetary difficulties of 1956. The composition of Egypt's exports had been more diversified in 1956 and, for the year as a whole, there had been a 3 per cent rise in export earnings and greater expenditure on imports. Steps had also been taken to improve planning machinery in order to ensure that the best use was made of available resources. Private enterprise had not, however, been encroached upon and had indeed been encouraged, a special eco-

conomic organization having been set up early in 1957 to assist private economic projects where it was felt that public participation would be useful. Egypt was not governed by narrow political concerns in determining the pattern of its foreign trade. On the contrary, it sought balanced trade relations with all parts of the world and where its trade had declined the fault had not been on its side. Its purchases were made where the lowest prices and the best terms could be found. Accordingly, his delegation supported the proposed system of international consultation and co-operation described in the report and formulated in Council resolutions 654 A (XXIV) and 654 E (XXIV).

28. Referring to the European Economic Community and European Common Market, he said that his delegation believed that certain regional economic arrangements could be beneficial to the trade not only of the participants but also of the world as a whole, through the relaxation of restrictions particularly in the matter of foreign exchange. Regional arrangements had been and were being made among many Arab countries to liberalize their commercial relations. The concern felt by Egypt and other countries with regard to the European Common Market arose from two considerations: the possible conflict between the Treaty establishing the European Economic Community and the General Agreement on Tariffs and Trade, and the impact of the Common Market on economic conditions in the African Territories of certain European countries. More information was required before those two questions could properly be studied and he hoped that the Secretariat would shortly be able to provide it.

29. The Romanian proposal for a declaration on principles for international economic co-operation recalled a recommendation of the Asian-African Conference of Bandung for the enlargement of the scope of multilateral trade and payments. The Conference had, however, recognized that certain bilateral trade arrangements would have to be made by some countries in view of their economic situation. Nor, as the final conference communiqué stated, was it intended that economic co-operation between the participating countries should preclude co-operation with countries outside the region.

30. His delegation supported the proposal for the establishment of a regional economic commission for Africa and attached importance to any measure designed to promote the economic development of the African continent, of which it felt itself to be an integral part. There was no lack of studies of economic conditions in Africa but such studies ought in future to be more detailed and impartial and should give guidance to the African peoples in drawing up their plans of economic development. Africans needed all the help they could get from the results of scientific study and research and an economic commission for Africa would be an admirable means of channelling such help to them. It should not, however, be set up without the full co-operation of the independent States of Africa.

31. While regretting the introduction of political elements into the Committee's deliberations he felt obliged to exercise his right, under rule 116 of the rules of procedure, to reply to some of the remarks made by the Israel representative (461st meeting). Political conditions of course affected economic conditions and it was a fact that Israel's attack on Egypt the year before had had adverse economic repercussions all over the world as a result of the blocking of the

Suez Canal and the stoppage of navigation there. The Israel representative might perhaps have given the Committee some facts about those repercussions. Another factor causing economic danger was Israel's avowedly expansionist policy for the ultimate Zionist vision was of a State extending from the Nile to the Euphrates, as evident from Prime Minister Ben-Gurion's statements in the Israel Government's Year-book for 1952 and to the Israeli Parliament on 7 November 1956. As if that were not enough to disturb the economic and political serenity of the Middle East, the Israel Prime Minister was proposing that an additional two million Jews should be admitted to the country in the near future. As early as 1948 Count Bernadotte had seen the dangers inherent in such large-scale immigration and had so informed the Security Council on 12 July of that year (S/888).

32. He wished emphatically to deny the Israel representative's allegations regarding the boycotting of Jewish firms and the blockading of Jewish trade. The Egyptians had nothing against the Jews as such; indeed it had opened its doors wide to them in the days of the Hitlerite persecution, and there were many Jews amongst Egypt's population. The friction between Egypt and Israel did not spring from religious or racial causes but from the aggressive economic and political policies of the Zionist movement, and Egypt felt entitled, under the United Nations Charter, to take precautionary measures to protect itself and its economy from that aggression.

33. Reverting to the item under discussion, he observed that the paramount economic problem of the day was, as was recognized in the Council's report, the development of the under-developed countries and in particular the financing of their development. His Government was gravely concerned at the widening gap between the developed and under-developed countries and believed that the most urgent problem was that of accelerating the rate of economic development of the latter countries. The less privileged people everywhere were becoming aware of their position compared with that of others, and of the means open to them to influence events. It was for the United Nations to see that that influence was used for the benefit of all.

34. Mr. BATTISTA (Italy) said that the Committee's discussion of the world's urgent economic problems on the basis of the Economic and Social Council's report was an essential first step towards action, which in the modern world of interdependent economic and social forces must take the form of international collaboration.

35. During the past year the Council had focused its attention on the question of reconciling a satisfactory rate of long term economic development with the maintenance of internal and external balance. The outstanding problem was that of a type of inflation which could not be controlled by conventional monetary measures because it originated in rising costs. In its resolution 654 D (XXIV) the Council had recognized that the upward movement of price levels was a problem affecting all countries of the world and had requested the Secretary-General in preparing the next World Economic Survey to take into account the need for further study of the extent, causes and effects of inflation. The Council was to be congratulated on its recognition of the dangers inherent in inflation,

for the view had not long ago been current that inflationary financial policies could help economic development by directing more real resources towards productive investment. That was certainly not the case in the under-developed countries, where the main problem was that of inadequate productive capacity. Further, although it was arguable that the inflationary process could redistribute the national income in favour of population groups with a greater propensity to save and invest than the groups sacrificed by inflation, it was a socially unjust and ineffective means of forced saving. Experience showed that even mild inflation led to a decline in saving and consequently in investment, demand for labour, progress in production and national income. Moreover, the inflationary process, once started, could not be controlled and might well end in catastrophe.

36. Conventional measures as, for instance, those taken by central banks, while still of prime importance, could not repair the damage caused by an economic and financial policy which did not sufficiently limit unproductive expenditure or apply sound principles in preparing public investment plans. Economic policies, including agricultural, trade and wages policies, ought to be directed towards maintaining the purchasing power of money. Although, however, there was general agreement as to the need to combat inflation there was less agreement as to the methods to be used. The next study of the world economic situation would be very useful if it made suggestions and proposed remedies in that respect. The Italian Government, for its part, believed that the best means were to maintain a balanced budget, to work steadily to increase production and lower costs, and to pursue a wage policy which, while providing for an increase in wages, did not allow them to absorb all the gains in productivity.

37. In view of the danger of cost inflation, the Treaty establishing the European Economic Community was of particular interest, since the Community was intended to ensure a balanced and continuous expansion of the European economy, making Europe a larger supplier of goods, services and capital to the outside world and at the same time a market with a larger purchasing power which would seek to satisfy its increased demands from the products of other regions. The example of the Benelux economic union and of the Organization for European Economic Co-operation, both of which had brought about, not a contraction but an expansion of trade between the countries concerned and the rest of the world, suggested that those goals would be achieved. His Government hoped that the European Economic Community would remain open towards the world and that the legitimate interests of countries not signatories, already offered safeguards in the Treaty itself, would be given still greater protection in subsequent agreements. It was to be hoped that the Community, by permitting a free circulation of goods, persons, capital and services, would enable producers to concentrate on fields in which they could achieve the maximum efficiency and consumers to buy goods in the most advantageous markets, for nothing was more calculated to cause inflation than the various practices engaged in by various countries in Europe and elsewhere during the past half century to obstruct the division of productive efforts in such a manner as to permit higher output at lower cost. Lower costs and higher productivity would inevitably be of benefit to all, especially to the under-developed countries,

which were at present suffering from a deterioration in the terms of trade as a result of rising import costs.

38. The Council had once again paid special attention to the question of the economic and social development of the under-developed countries. Italy had a direct acquaintance with the problem of under-development and wholeheartedly sympathized with all countries striving to break the vicious circle of stagnation and poverty and to raise their levels of living; indeed, in some parts of Italy large-scale efforts at economic development and industrialization had yet to be made. Italy knew that progress towards prosperity demanded sacrifices and was willing to make them but it also looked to an increase in its trade with the under-developed countries to help forward its own development.

39. Mr. NOGUEIRA (Portugal) said that the dominating feature of the world economic situation, as described in chapter II of the Council's report, was still expansion, although the rate of expansion had been somewhat reduced, as a result of the emergence of certain curbing forces, whose effect on the world economy should be checked.

40. Since the Second World War expansion had come increasingly to be thought of in terms of industrialization, and no country would consider itself to be in the process of economic expansion or economically developed if its economy was purely agricultural, no matter how high the levels of productivity and living attained. That trend, if pushed to its logical conclusion, would result in the establishment of potentially autarchic units, a paradoxical situation in a world that preached economic co-operation. The reason for that development was the desire of the under-developed countries to reach the levels of wealth attained by the industrialized countries, but the idea of expansion was not limited to the under-developed countries. It was strongly competitive and did not lose its vitality even in the highly developed countries. The current problems of inflation might well have been less if the pace of expansion had been a little slower.

41. Portugal for its part had been trying under the unitary principle of its Constitution (European and Overseas Provinces), to develop its agricultural and mineral resources and its industrial capacity simultaneously by successive carefully planned measures. Agriculture had not been neglected in favour of industrialization; thus, increased power supplies had provided both for industrial equipment and for more extensive irrigation. National product had been increased without creating the spiral of open inflation. Some minor decreases in primary activities such as agriculture and fisheries had been offset by increases in secondary activities and in the domestic production of energy. Mounting inflation in other countries was, however, a threat to Portuguese exports some of which, such as wine, were not considered essential consumer goods.

42. Inflation caused by economic growth in rapidly developing countries could not be stopped unless there was a flow of foreign capital, a slowing down of the rate of development, or stagnation. In that respect, the new ideas of international economic co-operation, in the form of international trade or of technical assistance and financial aid, had a part to play and much had been done multilaterally and bilaterally to provide

the capital and technical skills without which economic development was impossible. Further action was plainly necessary, and some thought that it was necessary to find additional solutions, a view which his delegation accepted. But it might well be considered whether the expansion or re-organization of existing agencies might not be preferable to the creation of an entirely new body.

43. Two further problems affecting economic development were the instability of commodity prices and changes in terms of trade areas. So far as the first problem was concerned, various international commodity agreements were in existence and similar arrangements could no doubt be made for other commodities, but little had been done to deal with the second problem.

44. Mr. DIMECHKIE (Lebanon) said that his Government continued to believe that the economic development of the under-developed countries was one of the world's most urgent problems. Without assistance, such countries would require a very long time to attain economic development, and the economic and social conditions at present prevailing in them would inevitably create friction and conflict. The Committee's immediate aim should therefore be to recommend to the General Assembly the most effective steps for helping the under-developed countries to attain a stage of economic development compatible with modern scientific progress, and to bridge the gap between levels of living in the economically developed and under-developed countries.

45. In his delegation's view, a number of conclusions could be drawn from the World Economic Survey, 1956. First, prosperity in the economically advanced countries did not necessarily benefit those which were economically retarded. On the contrary, inflationary trends followed such prosperity, with consequent rises in the cost of industrial products. As that increase was not accompanied by an increase in the prices of raw materials and agricultural products, the terms of trade moved against the under-developed countries and jeopardized their economic development. Secondly, the gap between levels of living in the industrialized and under-developed countries had considerably widened. Thirdly, most of the economic aid granted by the industrial countries had been directed towards under-developed countries with which they had political connexions. The aid received by the Middle Eastern countries had been relatively insignificant. Fourthly, full benefit had not been derived from technical assistance because of the scarcity of available capital in the under-developed areas. Fifthly, although the International Bank for Reconstruction and Development had made available much needed capital its operations were limited by economic requirements that could not always be fulfilled by the under-developed countries.

46. For those reasons a new approach, involving a new international organ, was essential if economic development was to be effectively promoted. His delegation would therefore continue to support SUNFED or any similar project capable of surmounting economic development problems, and hoped that the economically advanced nations would give the matter due consideration.

47. Mr. ENCINAS (Peru) said that although the Economic and Social Council was doing valuable work, political and ideological circumstances had prevented

it from taking effective and concrete steps to promote the accelerated economic development of countries in the process of development. That fact should, he believed, be regarded as a spur to further effort, and he was confident that in the not too distant future the Council would become the effective instrument of international action that changing world conditions demanded.

48. Already the technical assistance programmes and the work of the regional commissions showed the possibilities of fruitful international economic and social action in areas not dominated by the political and ideological conflict between East and West. That fact should be borne in mind by the General Assembly in considering the problem of financing the economic development of under-developed countries.

49. The international economic situation seemed to have entered a period of short-term readjustment. Relatively successful attempts were being made to curb inflationary trends and, although it might be wrong to regard such measures as marking the beginning of a deflationary process, the expansion of economic activity had slackened and in some cases stopped.

50. The conflict between growth and stability had different implications for countries with developed economies and for those with under-developed economies. In the former, stability, which merely implied a decrease in the rate of growth, frequently had no social or political repercussions since levels of living were high and needs were not increasing rapidly as population growth was relatively small. In under-developed economies, on the other hand, where population growth and requirements were increasing rapidly and levels of productivity and technology were low, the consequence of stabilization could be extremely serious. In Latin America, for example, it would be the year 2000 before the average per capita national income reached one third of the 1953 United States level if the rates of economic and demographic growth in Latin America remained at the 1953 level. In such countries, continued economic growth was essential to the well-being of the people.

51. His Government was accepting the challenge of trying to develop its economy with stability and without inflation. Given international economic co-operation, two factors could permit growth with little or no inflation: the investment of foreign capital and the expansion of exports.

52. His country had derived great benefit from foreign investment, which had undoubtedly contributed much towards the relative balance of the national economy. The Peruvian Government had enacted legislation to encourage the flow of new capital, and in the past six years Peru had received approximately \$45 million in gross investments annually. In 1953 long-term foreign investments in Peru had totalled \$506 million.

53. The development of Peru's international trade had been less satisfactory. The fall in the prices of Peruvian exports and customs discrimination against some of them had created difficulties the full extent of which could not yet be estimated. In his Government's view, the intensification of international trade in primary commodities and manufactured goods on the basis of a system of fair and stable prices would promote international economic stability and permit the growth which was essential to the under-developed countries.

54. Commenting on the Council's report, he said that despite various Assembly and Council resolutions referring to the importance of dealing concurrently with economic and social problems - not so much in the work of the Secretariat itself as in the work of the Council and of the Second and Third Committees - a proper relationship did not exist between those two aspects.

55. The same was true of demographic problems, which were closely linked to economic development. The nineteenth and twentieth centuries had witnessed a demographic revolution and, for the first time in history, it seemed that the world would be completely populated. Since demographic growth generally coincided with economic development, the study of population trends was particularly important in countries in the process of development. Moreover, as economic development depended on the balance between the rate of increase of production and the rate of population growth, problems of economic development could not be properly considered if insufficient attention was paid to the demographic factor. That was particularly true in the case of Latin America, which had one of the highest rates of population growth in the world. Unfortunately, in the distribution of work between the Second and Third Committees, the section of the report dealing with demographic activities had been assigned to the Third Committee and more emphasis was placed on the social implications of demographic problems than on their economic implications.

56. In his delegation's views, the Council should be invited to bear in mind the close interrelationship between economic development and demographic factors. The possibility of holding joint meetings of the Second and Third Committees, when necessary, might also be suggested to the General Assembly. The Council might also be invited to include material relating to demographic changes in countries in the process of development in the chapter of its report dealing with economic development. Lastly, the Secretary-General might be requested to continue his efforts to combine the economic and social phases of the Council's activities. The fact that two regional centres for demographic research had been established at the headquarters of the Economic Commission for Latin America (ECLA) and the Economic Commission for Asia and the Far East (ECAFE), showed that the Secretariat was aware of the link between demographic changes and economic development.

57. Mr. MENDOZA LOPEZ (Bolivia) said that no attention had been paid in the Committee's general debate to the experience of countries which had experimented both with a planned economy and with an economy based on freedom of trade, industry and exchange. When Bolivia had applied the principle of a planned economy, it had lost its foreign currency reserves, which suggested that a planned economy could not be successfully worked in an under-developed country because of the lack of adequate administrative machinery.

58. Capitalism and economic expansion had their early stages, as in Europe and the United States, developed on the basis of free trade, industry and exchange, taking advantage of the natural resources at the disposal of the countries concerned to make investments without impairing the standard of living of the people. At a later stage however, it had been necessary to obtain additional capital.

59. Bolivia was a country of great natural resources and on the basis of its reserves of oil and iron and its forest wealth could obtain additional capital in the form of foreign investments and loans. Early in 1957 his country had adopted a strict and effective policy of stabilization with the assistance of the International Monetary Fund and of the United States. At the same time, freedom of trade and industry was complete. Despite those favourable developments, the Bolivian people were undergoing hardship; prices were high and there was a threat of unemployment.

60. For those reasons, he hoped that SUNFED would be established and that its guiding principle would be the investment of its funds in countries where great natural resources could be exploited for the good of mankind. The investment of capital on those lines was, his delegation believed, the only sound way of combating inflation and economic imbalances.

61. Mrs. GINOR (Israel), exercising her right of reply under rule 116 of the rules of procedure, said that at the preceding meeting the representative of Iraq had enumerated the reasons for the Arab economic warfare against Israel, and in so doing had acknowledged its existence. Unfortunately, he had not given any assurance that such activities, which violated the United Nations Charter, would cease. The Arab countries had repeated their intention of destroying Israel and had asserted that economic warfare was one of the means they would use to achieve that end. As the Arabs had refused to negotiate on a peace settlement, Israel's measures had merely been taken in self-defence.

62. With regard to Israel's so-called expansionist intentions, its Minister of Foreign Affairs had stated in the General Assembly that Israel only intended to expand southward into the Negev Desert. Although the representative of Iraq had called the industrialization of Israel a means of expansion, such industrialization was the only way of sustaining a large population in a small area and was therefore constructive.

63. With regard to immigrants, 400,000 persons, or almost half of Israel's population were refugees from Arab countries of whom 126,000 came from Iraq. There was documentary evidence to show that firms wishing to trade with Arab countries had been questioned about their Jewish connexions.

64. The Egyptian representative's references to Israel had been outside the bounds of truth, parliamentary custom and the Committee's competence.

65. Mr. HASSAN (Sudan) expressed his country's gratification at its election to the Economic and Social Council. He hoped that the Committee would, in its deliberations, help to create friendly understanding in a troubled world.

66. Mr. ARKADEV (Union of Soviet Socialist Republics) said that at the preceding meeting (463rd) the United Kingdom representative had complained of his inability to ascertain how the Soviet Union was reducing its arms expenditure. In 1956 the Soviet Union had reduced its arms expenditure by over 10,500 million roubles in comparison with 1955. In 1957 such expenditure had been reduced by another 6,000 million roubles compared with 1956. By contrast, in 1956-57 the arms expenditure of the United Kingdom amounted to £1,525 million compared with £1,404 million in 1955-56. When speaking of trade with the socialist

countries, the United Kingdom representative should bear in mind which country it was that had interrupted trade with the East European countries. It was the United Kingdom that was now relaxing trade restrictions, particularly those affecting the People's Republic of China, and its trade was increasing. Although the Soviet Union and the United Kingdom had different systems of trade, trade between them could be expanded. The USSR did not think the United Kingdom was beginning to relax trade restrictions merely out of a spirit of magnanimity. The United Kingdom was guided by material considerations. Markets were becoming more restricted and the competition offered by Germany and Japan was increasing. Like the United Kingdom representative, he welcomed the increase in trade between the United Kingdom and the USSR.

67. Mr. ERROCK (United Kingdom) thanked the Soviet Union representative for the illuminating figures on

recent decreases in Soviet arms expenditure, although they did not compare with the details which he had provided regarding the defence expenditure of the United States and the member countries of the North Atlantic Treaty Organization.

68. The Soviet Union representative had alleged that the United Kingdom had criticised the trade arrangements of the USSR. This had not been done as they were an internal affair of that country. He welcomed the recent increase in trade between his country and the USSR, which had been due to purely commercial factors and, necessarily, to the attitude of the Soviet Government. Contrary to the situation in the Soviet Union, there was practically no government control of foreign trade in the United Kingdom.

The meeting rose at 6.45 p.m.