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Chairman: Mr. Jiří NOSEK (Czechoslovakia).

AGENDA ITEM 12

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

GENERAL DEBATE (continued)

1. Mr. BRILEJ (Yugoslavia) said that the underlying importance of economic factors in international politics and the increasing interdependence of national economies made it imperative for the United Nations to intensify its efforts to solve the world's economic problems.
2. Although significant economic advances had been achieved in certain parts of the world since the end of the war, and although new productive forces and techniques, in particular, automation and atomic energy, afforded prospects of unprecedented development, the tempo of economic growth had slackened in 1956. Industrial production had lagged and the rate of investment had been slower. The margin of uncertainty in 1957 was wider than it had been in 1956.
3. Inflation had already led to serious imbalances in the world economy. In 1956 and more especially in 1957, trade and payments deficits had increased to an alarming extent. Western Europe's dollar deficit had risen sharply and the sterling area's deficit alone had increased by eight times in the first half of 1957. Such trade deficits had heightened financial uncertainty and provoked massive flights of short-term capital, thus causing a further deterioration in the balance of payments.
4. In the under-developed countries, economic policy was primarily aimed at creating new productive capacity. Nevertheless, the gulf between such countries and the more advanced ones was widening and the situation was aggravated by the rapid increases of population in the under-developed countries. Moreover, as a result of the serious fall in primary commodity prices, export earnings, the under-developed countries' main source of investment funds, were declining and their payments deficits were generally increasing. It was increasingly obvious that the economies of the under-developed countries could not be stabilized so long as the prices and volume of primary exports were subject to sharp fluctuations.
5. Such adverse external conditions explained why inflation, although of different origin from that obtain-

ing in the industrialized countries, was a serious problem in the under-developed areas. The decline in the prices of raw materials reduced the resources on the basis of which investment programmes were worked out, while international financing was utterly inadequate to bridge the gap. The under-developed countries were therefore often compelled to cut down their investment programmes although the latter were already inadequate even to fulfil their most pressing needs.

6. Those basic problems could not be dealt with by the existing instruments of international co-operation, such as the technical assistance programmes and UNICEF, which, although effective, were designed to cover specific and very limited fields.

7. The problems had been exhaustively discussed at the twenty-fourth session of the Economic and Social Council and in other United Nations bodies, but, although there was a considerable area of agreement about their importance and urgency, the United Nations had often failed to take proper and adequate measures to solve them.

8. His delegation was fully aware of the complexity of economic problems and realized that they could not be solved overnight or solely by means of measures within the framework of the United Nations. Certain problems called for closer regional, sub-regional or bilateral co-operation. Some groups of countries were trying to meet their difficulties by co-ordinating their economic policies and integrating their markets. Such regional associations would have durable effects if they were based on the equality of their members and if they did not dissociate themselves from the rest of the world.

9. At the same time global measures were necessary. Two such measures were the subject of resolutions adopted by the Council at its twenty-fourth session. The first, resolution 662 B (XXIV), related to the creation of a Special United Nations Fund for Economic Development, would be discussed separately by the Committee and his delegation was confident that the General Assembly would decide at the present session in favour of the immediate establishment of the Fund and thus take a vital step for the economic development of the under-developed countries.

10. The second, resolution 654 E (XXIV), concerned inter-governmental consultations on the world economic situation. His delegation, which had co-sponsored the resolution, believed that such consultations would permit a sound and thorough exchange of views between governmental representatives for the purpose of seeking ways and means of overcoming common problems. They would deal with economic problems of a global character as well as regional and intra-regional questions. As Mr. Seynes, the Under-Secretary for Economic and Social Affairs, had already

pointed out in his introductory statement (454th meeting), inflation was one area where systematic consultations between Governments might reduce the danger of resort to mutually frustrating deflation. Other problems which could be discussed were the instability of primary commodity markets and the expansion of international trade.

11. His delegation was confident that the Secretary-General's report, on the basis of the Council resolutions, would encourage consultations within the United Nations and hoped that Member Governments would make the most of the opportunities afforded by such consultations on concrete economic matters.

12. It was a truism that in the modern world no nation could prosper in isolation, for the most strenuous efforts of individual countries could be frustrated by external economic factors. For that reason his delegation attached great importance to genuine international economic co-operation directed towards the solution of concrete problems and based on the principles of equality and respect for independence and sovereignty embodied in the Charter. Those principles had been elaborated at the 455th meeting by the Romanian representative whose suggestions the Committee should certainly consider. The obstacles to the implementation of the principles of the Charter, in particular the difficulties caused by uneven economic development, could best be overcome by practical measures of international co-operation.

13. Mr. ARDALAN (Iran) said that the Council's report (E/3613) showed that world economic growth had continued in 1956. In 1955, over \$83,000 million worth of goods had entered world trade; in 1956 that figure had risen to \$91,000 million. Forty per cent of the increase was attributable to a greater volume of exports from the United States while Western Europe, including the United Kingdom, accounted for 38 per cent of the rise. At the same time, the average price of manufactured goods had advanced by 4 per cent and that of other goods only 2 per cent, worsening the terms on which primary producing countries could exchange their products for manufactured goods. In the industrial private enterprise economies, gross national production had increased from 2 to 7 per cent. World demand for goods and services had continued to mount and investment had been sufficiently buoyant to lift economic activity above the 1955 level. Countries which had had difficulties in their balance of payments in 1954 and 1955 had generally improved their positions in 1956. Prices and wages generally had risen during 1956. While it seemed highly probable that 1957 would continue the upward swing of 1956, it seemed, as the Secretary-General had pointed out, that the inflationary pressures of recent years would continue.

14. The general trend in Western Europe had been toward a greater freedom of trade in which the plan for a common market would play a significant part. Private demand for investment and consumption had proved sufficiently strong to support a 5 per cent increase in real national product each year from 1952 to 1955. The Western European countries had been able to reduce their dollar deficits very considerably and to rebuild their gold and dollar reserves. Structural changes in world production, trade and geographical market had greatly affected their balances of payment. The real balance of trade had improved in the United Kingdom, Sweden, Norway, Italy and Western Germany.

Only in France, the Netherlands and, to a lesser extent, Belgium and Denmark, had the real balance of trade deteriorated significantly owing to greater increases in imports than in exports. France was the only country whose exports had actually dropped in 1956.

15. There had been a significant rise in industrial production and economic expansion in the centrally-planned economies in 1956. Consumption had increased in all countries of the group. Foreign trade had risen more than in 1955 in most eastern European countries, as in the preceding year, and trade with the rest of the world seemed to have expanded faster than trade within the group. In the Soviet Union steps had been taken to replace the former centralized economic system by a new form of organization based on territorial units. Similar changes had occurred in the other countries of the group although they had retained the basic system of central ministerial planning.

16. In North America expansion of economic activity had not only continued throughout 1956 but had reached a new peak in the second quarter of 1957. A similar expansion had occurred in 1956 in Canada.

17. In Latin America, although export prices of minerals had increased, countries exporting agricultural raw materials or foodstuffs had not fared too well. Countries exporting beverage crops had experienced relatively large increases in export receipts. Some of the Latin American countries had been able to increase their foreign trade by extending the range of commodities exported. In most Latin American countries the large foreign exchange reserves accumulated during the war had been utilized to supplement the expansion of export earnings. Such earnings, together with improved terms of trade, had permitted not only increases in domestic consumption but also substantial additions to the stock of capital.

18. In the case of the Middle East, as the report Economic Developments in the Middle East 1955-1956 (E/2983)^{1/} pointed out, the main factors affecting economic activity during the period had originated within the region itself. Exports had risen and the share of the Soviet Union and Eastern Europe had increased while that of Western Europe had declined. Export prices had remained stable in 1956 and there had been no significant change in the terms of trade in 1955 and 1956. There had been little change in the inflow of capital into the region: capital investment in the petroleum industry had declined, but the deficit had been made good by the increase in grants and loans from the United States and other Governments. Industrial output had increased sharply in 1955 but less so in 1956, owing to the Suez crisis. Most Middle Eastern Governments had taken steps to promote industrial development.

19. In some countries, among them Iran, public investment had played an important part in the development of manufacturing and mining, but except in the petroleum industry, foreign capital unfortunately still played a very minor part. Agriculture was still the region's greatest industry. The extension of the acreage under cultivation had continued; by 1956 the acreage planted to grains had been some 37 per cent above the 1948-1952 average and that planted to cotton 25 per cent above.

20. Middle East exports had increased by about 15 per cent both in 1955 and in 1956 and Middle East imports

^{1/} United Nations publication, Sales No.:1957.II.C.2.

by 17 per cent in 1955 and 9 per cent in the first half of 1956. So far as the balance of payments situation was concerned, all the Middle East countries except Turkey and the Sudan had experienced an increase in the deficit on current account in 1955, or, as in Iraq, a reduction in the surplus, reflecting, in both cases, a deterioration in the balance on merchandise account.

21. It was clear from a survey of the current economic situation that all nations needed to increase their exports in order to be able to pay for their imports and to have a surplus available to help raise their standards of living. However, if they were to keep their import demand in balance with the world demand for their export goods, many under-developed countries would have to grow at a slower rate than the industrial countries and the gap between levels of living in under-developed and advanced countries would widen. For a time, the situation could be corrected by means of capital imports, which might enable countries to import in excess of their exports and to use the additional supplies to increase their productive capacity and income. While the International Bank for Reconstruction and Development and the International Finance Corporation could offer assistance, in that respect, their scope was limited and the time had come for immediate action to establish the Special United Nations Fund for Economic Development.

22. With regard to the subject of inflation, the keynote of economic policy in the industrial countries in 1956 had been restraint. Various measures, in particular monetary restraints, had been taken to moderate expansionary forces, correct balance of payment disequilibria and promote price stability. The problem of inflation had been of serious concern to the Governments both of the United States and of the United Kingdom. Both had introduced anti-inflationary measures, so far without complete success. Inflationary forces were even more evident in the under-developed countries, where the problem was magnified by the inadequacy of savings, the immobility of resources and budgetary deficits. In those countries fiscal and monetary policies, however essential for price stability, were not sufficient to maintain economic growth without inflationary pressure and the income structure did not leave room for great flexibility in the tax system.

23. The dominant factor in the inflation problem was the increase in wages and, in the interest of employers, employees and consumers alike some means must be found of halting the continual rises in wages and prices. It had been suggested that a solution might be found in the guaranteed wage plan but it had not so far been possible to observe the effects of such a plan on a whole industry or on a country's entire economy. Again, although a guaranteed wage plan might ensure full employment, it was a fact that depressions occurred in periods of high consumer incomes. Others advocated minimum wages legislation as a solution to the problem but since labour tended to move away from sectors with the lowest wage rates such legislation was unlikely to have the desired effect. Profit-sharing systems had also been suggested. In his view, the most effective method of solving the labour problem and fighting inflation would be to grant any wage increases that might be agreed upon, not in cash but in the form of dividend-bearing shares in the company concerned. By that means, he believed, there would be an end of

strikes, stoppages and rising prices. All efforts would be bent to increase production from which, of course, everyone would benefit. More goods and lower prices, as everyone knew, was better business than fewer goods and high prices. The profits were always greater in the former case. In the hope that a generally acceptable solution of the problem might be found his delegation was submitting a resolution requesting the Secretary-General to study the subject in consultation with the Bank and the International Labour Organisation, to seek the comments of Governments and to submit a report to the Economic and Social Council.

24. Commenting on the situation in Iran, he said that in 1956 Iran had succeeded in expanding production in most branches of industry. The construction of a textile mill, four sugar refineries and a cement plant and of the railway line from Teheran to Meshed in northeastern Iran had been completed. A dam on the Karaj River near Teheran was scheduled for completion in 1960 at a total cost of \$63 million. Another \$38 million dam was to be built on the Safid Rud. Surveys for a large multi-propose scheme in Khuzistan had been begun. The distribution of the Shah's estates was continuing. By the autumn of 1955 sixty villages with a total area of 100,000 hectares had been transferred to the ownership of farmers. Land distribution was accompanied by the provision of credit and technical assistance and the formation of cooperatives. The Development Bank founded in 1952 to assist in the settlement of farmers on the land thus distributed had had loans of 8 million rials outstanding in 1954.

25. The report of the Economic and Social Council made it clear that the Council was doing its best to help the less advanced countries increase their rate of development and raise their standards of living. As the Secretary-General had explained in his Annual Report on the Work of the Organization (A/3594)^{2/} substantial progress had been made, but many problems remained as acute as ever, the most serious being the ever-widening gap between the industrially advanced and the industrially backward countries in the relative rate of growth of per capita income. The rate of economic development of the less advanced countries must be stepped up if they were merely to maintain, much less increase their share in world output. As was stated in paragraph 124 of the report of the Economic and Social Council, the acceleration of the economic development of Asia and the Far East, with its present low outputs, low per capita incomes and high rates of population increase, would require increased national and concerted international action in several directions. A stable flow of external assistance and an equitable price relationship between exported primary products and imported manufactured goods were required. Priority must therefore be given to increasing the trade of the under-developed countries. Trade between industrial and non-industrial areas had, however, continued to decline and his delegation endorsed recommendations in paragraphs 172 and 173, and hoped that the Governments of the more developed countries would recognize the importance of their trade and production policies for the economic development of the less-developed countries. The stabilization of prices of primary products should have an important place in

^{2/} Official Records of the General Assembly, twelfth session, Supplement No. 1.

any programme for the economic development of the under-developed countries; he hoped that the Commission on International Commodity Trade would make appropriate recommendations.

26. His delegation also endorsed the Council's resolution 662 B (XXIV) for the early establishment of a Special United Nations Fund for Economic Development, for the reasons expressed in paragraph 189 of the report. It also endorsed the suggestion reported in paragraph 184, that the statutes of the Bank and the International Monetary Fund should be re-examined in the light of changed world economic conditions. It also agreed with the suggestions in paragraph 203; the Iranian Government, for its part, had passed a special law to safeguard imported capital, and hoped that individuals with capital would take advantage of it. The report from the Bank^{3/} was encouraging and he hoped that it would be possible, as its President had intimated (paragraph 224), for its investments in Asia and Africa - and, he would add, the Middle East - to be increased.

27. On the subject of industrialization and productivity (section II chapter III of the Council's report), his delegation agreed with those representatives whose views on the importance of studies on small-scale industries were expressed in paragraph 226, and endorsed the Council's resolution 649 A (XXIII). In the matter of co-operatives (section IV), it endorsed Council resolution 649 C (XXIII). It shared the views of the Council on energy and resources (section V) and agreed with Council resolution 653 (XXIV). With regard to section VI, on United Nations Technical Assistance Programmes, he wished to express his delegation's appreciation of the quality and effectiveness of the work done by the Technical Assistance Board and the Technical Assistance Administration. It was evident that the programme was growing in usefulness and that steps should be taken to increase the flow of skills and experts. Obviously, too, the technical assistance needs of the under-developed countries far outran the programme's present financial resources and something should be done to increase them.

28. Mention was made, in paragraph 281, of the assistance given to Iran in the matter of narcotics control, and he wished to express his delegation's gratitude to the Council for its adoption of resolution 667 G (XXIV). With the help of TAB, TAA, the World Health Organization and the Food and Agriculture Organization, the Government of Iran had made considerable progress in its efforts to stop poppy cultivation. Much remained to be done, however, and outside help, both humanitarian and financial, would continue to be needed.

29. Turning to chapter IV, Regional Economic Activities, he said that his delegation, too, welcomed the growing co-operation between the regional economic commissions and other international organizations. It believed that the time had come to establish an economic commission, or at least a central bureau, in the Middle East; Teheran might well serve as its headquarters.

30. With reference to the topics dealt with in chapter V, he could say that Iran was not in favour of a world food reserve and that it believed that price stabiliza-

tion could be achieved only by dealing with individual commodities separately.

31. Mr. HASSAN (Sudan) expressed his country's gratification at its election to the Economic and Social Council. As the only member from the Middle East and Africa, it would feel particular responsibility in the discussion of the problems of that area and would give special attention to the difficulties of the less-developed countries generally.

32. As the World Economic Survey, 1956 (E/2982) indicated, inflation had become a world-wide phenomenon. The problem was especially serious in the less-developed economies when a decline in the prices of primary commodity exports was coupled with a rise in the prices of the capital goods they had to import. A solution of the problem must not result in a curtailment of productive projects or in a further squeeze of prices and demand for primary products and a worsening of the terms of trade with the developed countries. The relationship between the prices of primary products and the prices of manufactured goods should be regulated on an international basis. As his delegation had stated at the 690th plenary meeting of the General Assembly, a world conference between producers and buyers of major crops could no longer be postponed. Action to reduce fluctuations in the demand for primary products, upon which the prosperity of the less developed countries depended, was one of the most effective ways of assisting small nations.

33. His delegation felt that the participation of the less developed countries in international trade could be strengthened and broadened by co-operation among nations. It therefore endorsed Council resolution 654 E (XXIV) concerning international consultation on world economic conditions.

34. His country firmly believed in free trade and had a strong tradition of liberal trade policies. Before the last world war it had imposed virtually no import restrictions, and since then there had been only mild temporary restrictions on a few commodities. The Sudan had no trade agreements and adhered to a multilateral system of trade and payments, regardless of political considerations, with no preferential treatment. For that reason, his delegation had carefully studied the proposed European Common Market and Free Trade Area which would have serious and far-reaching implications not only for individual States, but also for the level of world trade as a whole. The Sudan was opposed to the use of trade as a political weapon and to discrimination against countries or commodities.

35. His delegation continued to hope that a regional economic commission would be set up for the Middle East and Africa and welcomed the remarks of the representative of Ghana on that subject at the 455th meeting. His delegation also supported the Japanese representative's proposal (454th meeting) for a study of the economic effects of disarmament.

36. Mr. ISMAIL (Federation of Malaya) said that it was a source of encouragement to his people that they had achieved independence without political, economic or social disruption of the country. Independence was, however, but a means towards the attainment of world peace, economic prosperity and social contentment. The fundamental truth that peace and prosperity were indivisible was particularly applicable in the case of

^{3/} International Bank for Reconstruction and Development, Eleventh Annual Report, 1955 - 1956 (Washington, D. C.).

the Federation of Malaya in view of its strategic position in South East Asia and its valuable mineral and agricultural resources.

37. Although a newcomer to the Committee, his delegation was not unfamiliar with the work of the Economic and Social Council. Before becoming an independent country, Malaya had been an associate member of the Economic Commission for Asia and the Far East and had found it a very useful forum for the discussion of regional economic problems. He was happy to say that the next session of the Economic Commission for Asia and the Far East was to be held at Kuala Lumpur, the capital of the Federation of Malaya.

38. As three-quarters of his country was as yet undeveloped, he appreciated the emphasis that the Council's report had placed on the lower rates of increase in production in the under-developed countries compared to those in the industrial countries. The pressing problem of accelerating the rate of economic development of the under-developed countries had also been emphasized. Fortunately, the rate

of economic growth in the Federation of Malaya had resulted in a comparatively high standard of living; that growth, however, was excessively dependent on two export products - rubber and tin - whose prices were subject to world market fluctuations. In 1956 rubber and tin production alone had accounted for 80 per cent of total Malay export earnings, and 97 per cent of total revenue from export duties had been collected on rubber and tin exports. The Federation of Malaya therefore needed to decrease its dependence on those two products and to broaden the basis of its economy by undertaking some industrialization, by diversifying agricultural production to a greater extent, and above all, by opening up the undeveloped parts of the country. More rapid development was necessary in view of the rate of population increase, which was as high as 3 per cent a year at present. His delegation believed that international consultation on world economic conditions could contribute much to the solution of the basic problems of economic growth he had outlined, which were common to many under-developed countries and were of concern to the world as a whole.

The meeting rose at 12.25 p.m.