

United Nations GENERAL ASSEMBLY

SEVENTEENTH SESSION

Official Records



SECOND COMMITTEE, 863rd
MEETING

Thursday, 6 December 1962,
at 10.55 a.m.

NEW YORK

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Chairman: Mr. Bohdan LEWANDOWSKI
(Poland).

AGENDA ITEMS 33 AND 94

Economic and social consequences of disarmament: report of the Secretary-General transmitting the study of the group of expert consultants appointed under General Assembly resolution 1516 (XV) (A/5199; A/5203, chap. II; A/C.2/L.702/Rev.1; E/3593/Rev.1, E/3593/Add.1-5) (continued)

Economic programme for disarmament (A/C.2/L.702/Rev.1) (continued)

1. Mr. NYLANDER (Ghana) expressed great satisfaction that the two largest nuclear Powers had combined to submit a joint draft declaration (A/C.2/L.702/Rev.1). Its unanimous adoption (862nd meeting) raised new hopes, and Ghana appealed to the nuclear Powers to attune their actions to the noble text of their declaration; it was primarily in that spirit that his delegation had voted in favour of that draft.

2. Mr. USHIBA (Japan) associated himself with the speakers who had congratulated the United States and the Soviet Union on the co-operative spirit they had shown. It was encouraging to note that, in its study of the economic and social consequences of disarmament (E/3593/Rev.1), the Consultative Group of experts had unanimously concluded that the problems and difficulties to be expected from disarmament could be met effectively, if appropriate national and international measures were taken, and that the diversion to peace-

ful uses of the resources now used for military purposes could be accomplished in a manner which would benefit all countries and lead to the improvement of economic and social conditions through out the world. The study of the experts constituted an invitation to pursue the efforts taken to reach a speedy conclusion of an agreement on general and complete disarmament.

3. It was earnestly hoped that those countries having the major share in world armaments expenditures would exert their efforts to reach an agreement on disarmament under effective international control at the earliest possible date. But disarmament would be a long process, and any economic programme would have to take into account both the time-table of disarmament and the resources released, at which time circumstances would permit the study of an economic programme for disarmament. The Secretary-General would have to consult not only with the developing countries but also with the Governments of countries which would be able to make part of the resources released available to the developing countries for their economic and social development. The latter countries lacked resources now and must not be kept waiting for increased assistance until a disarmament agreement had been concluded. Japan had repeatedly placed emphasis on that point on various occasions and was therefore gratified to note that the sponsors had included that point in paragraph 9 of their draft declaration.

4. Mr. TOMEH (Syria) recalled that his delegation had been the first to express the wish that the two draft resolutions (A/C.2/L.646, A/C.2/L.647 and Add.1) might be merged; he was glad the sponsors had responded to that appeal. Incidentally, *The New York Times* had reported on the Committee's proceedings on two successive days; it was a great pity, however, that it had not given more prominence to the Committee's successes.

5. Mr. BUTTI (Iraq) associated himself with the speakers who had congratulated the sponsors of the draft declaration on their co-operative spirit. The delegation of Iraq believed that it was possible to arrive at a general agreement on complete disarmament. The assistance rendered to developing countries was far from sufficient to meet their needs, and a number of countries were at present recklessly wasting their resources. It was plain that disarmament would affect all mankind and expedite the solution of the many problems faced by developing countries. Mr. Hashim Jawad, Foreign Minister of Iraq, had pointed out in the General Assembly (1152nd plenary meeting) that the arms race had universal implications; Iraq would have supported the Soviet proposal (A/C.2/L.646). From that standpoint, the joint draft declaration was of the utmost importance, and in that spirit his delegation had given the proposal its full support.

6. Mr. AWOYAMO (Central African Republic) claimed for his country the honour of having contributed to

the success of the compromise that had been reached by advocating the merger of the two texts which had been submitted to the Committee. The present occasion was the first time the Soviet Union and the United States had set out together on the path of peace and reason; it was to be hoped that the declaration would produce real results, for the greatest benefit of everyone.

7. Mr. KLUTZNICK (United States of America), exercising his right of reply, pointed out that The New York Times was an independent newspaper. Moreover, it had made front-page news of the happy outcome of the debate on the economic and social consequences of disarmament. That indicated that on great occasions the newspaper gave the Committee's successes the applause they deserved.

8. Mr. TOMEH (Syria) said that he nevertheless regretted that the second article of The New York Times had been far more general in distributing praise than the first had been in criticizing the sub-amendments which Lebanon and Syria had submitted in regard to the draft resolution concerning permanent sovereignty over natural resources adopted by the Committee at the 858th meeting. The paper would have done better to report the many appeals for unity which the developing countries had made and which had contributed to the preparation of a joint draft declaration.

9. Mr. BUTTI (Iraq), exercising his right of reply, said that the tendentious nature of the first report in The New York Times was shown by the fact that an unofficial statement by a Western diplomat had been prominently featured, whereas there had not been a single line describing the position of any of the sixty developing countries which had taken part in the discussion.

10. Mr. DELGADO (Senegal) joined in congratulating the sponsors of the joint draft declaration on the co-operative spirit they had displayed. For the developing countries, which were the victims of the armaments race, the problem was less one of relations between East and West than of differences between North and South. He hoped that future proposals would be inspired by the same co-operative spirit. To his regret, he had been unable to take part in the vote on the draft resolution concerning the establishment of a United Nations capital development fund (A/C.2/L.660), of which his delegation had been a sponsor; he requested that his delegation's affirmative vote should be noted in the record of the vote and in the Committee's report.

AGENDA ITEMS 12 AND 35

Report of the Economic and Social Council (chapters I to III, V and VI) (A/5203, A/C.2/L.663/Rev.1) (continued)

Economic development of under-developed countries (A/5220, A/C.2/L.663/Rev.1) (continued)

CONSIDERATION OF THE DRAFT RESOLUTION CONCERNING INFLATION AND ECONOMIC DEVELOPMENT (A/C.2/L.663/REV.1) (continued)

11. Mr. AYARI (Tunisia), replying to the substantive objections raised at the 861st meeting by several delegations, including those of France and the Netherlands, regarding the principle and usefulness of a discussion on inflation, said that the case for examining the question had been well stated by the Brazilian representative in introducing the joint draft resolution (A/C.2/

L.663). The phenomenon of inflation was complex both in its mode of development and in its consequences; it was at once a monetary, economic, social and human phenomenon, which constituted both a need and a danger to the economic expansion of developing countries. To sustain inflation, within tolerable limits, was sometimes a prerequisite of sound and balanced growth. If it was recognized that inflation might be accompanied by the disequilibria described in the second preambular paragraph, and if it was further recognized that inflation might be the prerequisite of sound growth, it must also be recognized that the United Nations should concern itself with that problem, explore it and bear it in mind in evaluating technical assistance programmes. To reduce it to a problem of capital formation, as the Netherlands representative had suggested, or to an exclusively monetary problem, or to an appeal for economic stability, or to the provision of anti-inflationary advice to those requesting it, was to take a debatable line of reasoning which was in any case irrelevant both to the host of problems raised by inflation and to the intentions of the sponsors, who were asking for a study of the subject in terms of the evolution of the developing countries.

12. The first preambular paragraph of the revised text (A/C.2/L.663/Rev.1) had not been changed, nor had the word "aggravation" been replaced by the word "continuation", for inflationary pressures were no danger until they crossed a certain threshold. On the other hand, two new sub-paragraphs had been added to the second preambular paragraph because they were useful in drawing attention to two important points; that did not mean, however, that the list of consequences of inflation given in that preambular paragraph was in any way exhaustive. In addition, at the request of the Hungarian delegation, which had joined the sponsors of the draft resolution, a new paragraph had been inserted after the third preambular paragraph as a reminder that inflation could be transmitted to developing countries through foreign trade, particularly in the case of African countries belonging to monetary zones whose structure made price rises transmissible from the dominant country to the dominated countries. If industrialization was to be encouraged in the developing countries, the structure of trade and of customs agreements between countries which had reached different levels of development must be recognized as a matter of urgency. In a spirit of co-operation, the sponsors had deleted the fifth preambular paragraph because the Committee had not appeared ready to study the specific characteristics of inflation in under-developed countries. Lastly, in the sixth preambular paragraph, all reference to credit institutions had been eliminated in order to make the general line of the draft resolution more acceptable to the majority of delegations.

13. The sponsors had changed operative paragraph 1 in order to make it plain that they were aware of the work already done and the information already gathered by international bodies such as the International Monetary Fund, the International Bank and certain regional economic commissions such as ECLA. Their participation in the preparation of the Secretary-General's study would make it possible to eliminate all duplication of effort. It would also be useful if other regional economic commissions, especially ECA, would prepare studies of inflation in their regions as ECLA had done. The proposed study would not involve sending experts to the 110 States Members of the United Nations to study inflationary pressures or to advise on

what action to take. Nor was it suggested that the United Nations should start competing with other international agencies, or that it ought necessarily to take up the criticisms voiced by a particular Member State which might be dissatisfied with the research carried out by the specialized agencies, including IMF. The purpose of the study would be to improve the tools used to analyse, in the various types of economic and social systems, the causes, development and short and long-term repercussions of inflation. That vital inquiry was not purely theoretical, and it still involved too many unknown and variable quantities for a ready-made solution to be found in existing manuals and models, or through a simple statistical compilation. Lastly, the sponsors had redrafted paragraph 2 in order to give more latitude to the Secretary-General, who was now asked to present a progress report to the General Assembly not later than at its nineteenth session; the purpose of the change was to make allowance for the extra work which the convening of the United Nations Conference on Trade and Development would represent for the Secretariat.

14. Mr. EL BANNA (United Arab Republic) thanked the sponsors of the draft resolution for having taken into account several observations made by his delegation and said that, as a consequence, he was modifying the amendments which his delegation had submitted (A/C.2/L.706). His delegation would no longer press for the deletion of most of the preambular paragraphs; however, it still wanted the sub-paragraphs to be deleted from the second preambular paragraph, for it was pointless, as well as very difficult, to enumerate all the consequences of inflation. The preambular paragraph proposed by the United Arab Republic in its first amendment was similar to the fourth preambular paragraph of the draft resolution, and he would leave it to the Committee to decide which wording was preferable. He noted with satisfaction that operative paragraph 1 had been modified to take into account the studies carried out by international bodies such as IMF and the regional economic commissions. The second amendment in document A/C.2/L.706 scarcely differed from the new operative paragraph 1, and it would be for the Committee to decide which was the better text. Lastly, his delegation still proposed the addition of two operative paragraphs. The first was designed to give advice and to recommend measures which everyone recognized as necessary; the second was prompted by the fact that inflation was transmissible from one country to another and particularly harmful to developing countries which were dependent on their foreign trade.

15. Mr. FRANZI (Italy) said that he supported in principle the adoption of a draft resolution on the highly important problem of inflation and its consequences for the developing countries. That problem, which had already been studied at length by some of the regional economic commissions, by IMF, by various Governments and by economists, was a highly complex and most controversial subject. It should never, therefore, be forgotten that to find a single solution, acceptable to everyone, was a virtual impossibility.

16. His delegation proposed certain amendments (A/C.2/L.707) to the text. The first preambular paragraph of the draft resolution presented no difficulty, but the same could not be said of the second: to list the consequences of inflation now would be to draft, in anticipation, part of the study requested of the Secretary-General. The third preambular paragraph

was acceptable but the word "indefinitely" should be deleted, for its retention would appear to imply that accelerated inflation for a limited period fostered economic growth, a finding which corresponded neither to the facts nor, presumably, to the sponsors' intentions. Still with the same object—to avoid prejudging the conclusions of the study—it would be preferable to replace the fourth preambular paragraph by the following: "Bearing in mind the possible implications for the developing countries of inflationary developments abroad". In the sixth preambular paragraph, the words "in order to provide effective analytic tools" were premature and should be deleted.

17. In operative paragraph 1, his delegation proposed that the words "the studies made by and" should be inserted after the words "after taking into account" and that the closing words of the paragraph should be replaced by the following:

"and, utilizing to the fullest extent the available data, to prepare a study exploring the various lines of approach required to deal adequately with inflation in those countries in view of the considerations set forth in the fifth preambular paragraph".

Similarly, operative paragraph 2 should be redrafted to read as follows:

"Requests that a progress report on this matter be presented by the Secretary-General to the Economic and Social Council not later than at its thirty-eighth session and to the General Assembly not later than at its nineteenth session."

AGENDA ITEM 37

International measures to assist in offsetting fluctuations in commodity prices (A/5221, A/C.2/L.665/Rev.1, E/3447, E/3644, E/CN.13/43, E/CN.13/45) (continued)

CONSIDERATION OF THE JOINT DRAFT RESOLUTION (A/C.2/L.665/REV.1)

18. Mr. PATIÑO (Colombia) introduced, on behalf of the sponsors, the draft resolution concerning international measures to assist in offsetting fluctuations in commodity prices (A/C.2/L.665/Rev.1).

19. The general debate (798th to 821st meetings) had revealed general agreement that the deterioration in the terms of trade of countries exporting primary commodities was one of the reasons for their slow progress. The studies which had been carried out on the problem had led to various proposals for the adoption of measures, other than those envisaged by IMF, to offset fluctuations in the foreign currency earnings of commodity-exporting countries. Those proposals, which were doubtless very constructive, should now be translated into specific action.

20. The purpose of the draft resolution was to further the adoption, in the near future, of decisions regarding such measures of compensatory financing. That purpose was the same as that of Economic and Social Council resolution 915 (XXXIV), which the Colombian delegation had also had the privilege of introducing in draft form. The sponsors of the draft resolution before the Committee wished the General Assembly to express its conviction that the compensatory measures envisaged must be applied as a matter of urgency.

21. The Organization of American States had already carried out studies on those lines, and the Inter-American Economic and Social Council, composed of the Ministers for Finance, had adopted on 26 October

1962 a resolution instructing the Secretary of OAS to convene a regional conference at the technical level in April 1963, so that the member States of that organization might discuss the mechanism for compensatory financing evolved by the Technical Working Group established on the recommendation of the Commission on International Commodity Trade and described in its report. If necessary, the Secretary of OAS was to call a meeting of representatives of member Governments, not later than 30 June 1963, to consider further measures. Technical studies on the subject had been carried out by OAS and were now under examination by the Technical Working Group. In that connexion, he was happy to note that progress in the studies undertaken on mechanisms for compensatory financing had been made possible by the whole-hearted co-operation of IMF, whose assistance had been recommended by the Economic and Social Council.

22. The text of the draft resolution was self-explanatory. The sponsors had been happy to incorporate in it the amendment of the three Powers (A/C.2/L.692), the contents of which were entirely in keeping with their original idea. The original text of the draft resolution had purposely omitted to mention the fact that the recommendations on compensatory measures would ultimately be examined by the United Nations Conference on Trade and Development, for the simple reason that, when the draft resolution had been submitted, it had not been known what the Committee would decide with regard to that conference. It was certain, however, that the studies on measures of compensatory financing were among those which the Conference would consider. The amendment had been embodied in the draft resolution with one minor change: operative paragraph 3 began with the word "Urges" instead of "Requests". That change had been made because the Economic and Social Council had already requested the Technical Working Group and the Commission on International Commodity Trade to accelerate and complete the studies in question.

23. The discussion leading up to the adoption by the Committee (839th meeting) of the draft resolution concerning the United Nations Conference on Trade and Development had aroused some misgivings. It would be recalled, in that connexion, that a proposal for the establishment of an international trade organization had been made at the United Nations Conference on Trade and Employment, held at Havana in 1947-1948. High hopes had been placed in the forthcoming conference, but it did not seem that a proposal prepared with such care or so broad in scope could be expected. It was to be hoped, however, that the Technical Working Group, the Commission on International Commodity Trade and the Economic and Social Council would reach final conclusions on a system of compensation, and they might perhaps produce a draft agreement on the subject. Those considerations clearly showed the importance of the draft resolution, before the Committee.

24. The French amendment (A/C.2/L.704) was constructive and the sponsors of the draft resolution were prepared to give it their most sympathetic consideration when it was submitted. There was reason to believe that it would be redrafted to correspond to the revised text of operative paragraph 3.

25. Mr. KIBRIA (Pakistan), speaking on behalf of the sponsors of amendment A/C.2/L.692, thanked the sponsors of the draft resolution for having included the amendment in their text. The amendment raised a

question of great importance, particularly for a number of commodity-exporting countries. It met one of their hopes: namely, that the United Nations Conference on Trade and Development would take specific measures to compensate for fluctuations in commodity prices. Steady progress had been made in that direction, thanks to the Technical Working Group and the Commission on International Commodity Trade, which would be able to submit the results of their studies and a specific plan to the Economic and Social Council at its thirty-sixth session. The sponsors of the amendment hoped that the draft resolution would be adopted unanimously and would contribute to the success of the studies undertaken on the problem. As to the French amendment, he found the second part very apt, for it was indeed desirable to stimulate the study of suitable methods of exercising long-term stabilization of commodity prices. He therefore hoped that the sponsors of the draft resolution would accept that amendment.

26. Mr. RENAUD (France) said that, in associating itself with the sponsors of the draft resolution on the International Coffee Agreement, 1962 (A/C.2/L.652), his delegation had shown its interest in the problem of primary commodities and exports from developing countries. Furthermore, France's long-standing special ties with a number of African countries had given it, in that connexion, access to experience which it was now sharing with many other countries. It accordingly took an interested and sympathetic view of the draft resolution under study.

27. The existence of an adverse trend in the under-developed countries' balance of trade—a trend which was likely to persist for several years because the economic development of those countries required them to import manufactured goods—clearly demonstrated that the problem was how to reorganize trade relations between those countries and the industrialized countries in such a way as to slow down or reverse that trend. So far as primary commodities were concerned, existing market conditions and the operation of the laws of competition subjected world commodity prices both to abrupt fluctuation and to a general downward movement. That state of affairs was the more harmful to the exporting countries in that the prices of manufactured goods, most of which were exported by developed countries, showed a tendency to rise. In some cases, the adverse trend in primary commodity prices was in itself enough to cancel the effects of such financial aid as the developed countries could render the under-developed countries.

28. His delegation's inference from those considerations was that short-term financial measures would never solve the commodity problem; the most they could do was to offset, for the time being, the effects of the most violent fluctuations in export earnings. The goal to aim at, therefore, was long-term action to counter the adverse trend of prices. It could be said that the existing world prices did not represent an equitable return for the producers, and that a fair price—calculated, say, from the indexes of commodity-price variation over a given period—should therefore be determined for certain commodities. Such stabilization should of course be accompanied by limitation and rationalization of production. The stabilization, and indeed the readjustment, of prices, even if only for a limited number of commodities, appeared to present immediate and considerable advantages. Even a modest increase in primary commodity prices could bring the exporting countries additional income, of

great significance to them, at trifling inconvenience to the industrialized countries. That was the purport of his delegation's amendment. The amendment had been submitted before the circulation of the revised text of the draft resolution, which it consequently failed to take into account. His delegation welcomed the new version of the draft resolution, as amended by the inclusion of the amendment of the three Powers and was prepared to submit a revised amendment taking it into account. In any case, its aim was to ensure that a proposal on commodities mentioned the problem of the long-term stabilization of commodity prices. His delegation expressed to the sponsors of the draft resolution and amendment its thanks in advance for their understanding on the subject.

29. Mr. Mamadou TRAORE (Mali) said that his delegation supported the French delegation's amendment. Mali, as a member of the Commission on International Commodity Trade and of the Technical Working Group established under Economic and Social Council resolution 915 (XXXIV), had taken part in drafting the

terms of reference of that working group, which was now in session at Geneva. The terms of reference were reproduced in operative paragraph 2 of the draft resolution. Sub-paragraph (ii) of that paragraph was concerned with long-term measures of compensatory financing. However, the absence of any reference to such measures from the rest of the operative part justified the French delegation's amendment, which urged that the study of suitable methods of ensuring the long-term stabilization of commodity prices should be speeded up. A study of both short-term and long-term compensatory measures should be submitted to the forthcoming United Nations Conference on Trade and Development. Mali, as an exporter of primary commodities, recognized the value of short-term measures, but they could have no lasting effects. The basic problem remained that of long-term compensatory financing or else the elimination of all price fluctuations. That question went to the very root of the evil, which was essentially structural in character.

The meeting rose at 1 p.m.