

# GENERAL ASSEMBLY

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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. CHENG (China) said that most of the economically advanced countries were enjoying full employment in terms of the most widely accepted definition, which was that full employment existed where unemployment did not exceed 5 per cent of the total labour force. When once full employment had been achieved, the economy became highly unstable; a slight reduction in national expenditure was enough to threaten it, and even a moderate increase in that expenditure could set it on the way to inflation. Frequently, therefore, some degree of inflation or deflation was the price to be paid for full employment. The consensus of opinion was that the industrial countries of North America and Western Europe were now undergoing a phase of inflation. Measures were being taken in those countries to ease payments difficulties and to contract demand, with the consequence that economic progress had been slowed down during the past year or so. That was why several delegations at the recent meetings of the International Bank for Reconstruction and Development and the International Monetary Fund had expressed the fear that that state of affairs might adversely affect the demand for primary commodities and, consequently, the position of the under-developed countries.

2. From the theoretical point of view that fear was justified, for any slackening of economic activity in the industrial countries was bound sooner or later to affect the demand for raw materials. In the absence of certain data it was difficult, however, to assess the consequences of existing trends. In the first place it was not clear how far the industrial countries were prepared to go in order to arrest inflation. Nor was it known how great a reduction in their national expenditure was needed to achieve the desired degree of stability. Much depended on the means, and particularly the monetary means, they employed to achieve their objects. Furthermore, while primary producing countries were already feeling the effects of the slow-down in economic activity in the industrial countries, the price index published in the United Nations Monthly Bulletin of Statistics for September 1957 showed that those effects had been uneven as between commodity classes. Lastly, he pointed out that trade statistics

indicated that the main difficulties of primary producing countries had stemmed from spectacular increases in their imports.

3. In order to maintain the demand for primary products and to ease the balance of payments difficulties of the primary producing countries there was little to be done apart from appealing again to the capital-exporting countries for a greater contribution to the economic development of the under-developed countries, and appealing to the latter to review their development programmes if necessary. With regard to primary commodities in particular, action could take many forms; but if the instability of the markets for those commodities was due to a slackening of economic activity, the problem, he feared, went beyond the Committee's competence.

4. He referred next to the question of common markets. Though relating particularly to the proposed Western European Common Market, which was the closest to realization, his remarks would apply equally to other schemes of that nature - the Latin American and the Scandinavian common markets, which were under consideration. The common market as such, in so far as it did not imply the creation of a closed, self-sufficient group, was an economically sound idea. Any widening of the market would certainly increase productive power by improving the division of labour and bringing mass production methods into operation. His delegation was convinced that the Western European Common Market would benefit not only the members of the future European Economic Community but also those primary producing countries outside the Community which maintained close trade relations with Western Europe. Those relations would not suffer unless the participating States adopted a discriminatory policy; but he was confident that enlightened self-interest would restrain the members of the Western European Common Market from doing anything that was capable of impairing the purchasing power of the primary producing countries in which they found both substantial suppliers and substantial customers.

5. In conclusion he wished to say a few words on a subject of profound interest to his delegation: the peaceful uses of atomic energy and of other new sources of energy. The discoveries of atomic physics had given mankind access to unbounded opportunities in several fields: in science, agriculture, medicine and industry. The Chinese delegation accordingly considered that the programme prepared by the Economic and Social Council for the development of atomic energy deserved wholehearted support. The same applied to the study of other unconventional sources of energy initiated by France and approved by the Council.

6. Mr. ULLRICH (Czechoslovakia) said that, during the eleventh session of the General Assembly, his

delegation had expressed the view that despite a number of distinguished achievements, the Economic and Social Council had not succeeded in solving the grave economic problems of the day. The solution of those problems was naturally possible only if all countries, both big and small, industrially highly developed or under-developed, agreed to co-operate more closely.

7. Although technical advances and an unprecedented development of productive forces furnished mankind with the means of eliminating or at least mitigating the disparities existing between various nations, what was in fact occurring was a completely contrary development which was due to the selfish interests of the economically strong countries. According to the statistics published by the Contracting Parties to the General Agreement on Tariffs and Trade (GATT) in International Trade in 1956, the share of the industrially developed countries in total world trade was steadily growing to the detriment of the under-developed countries. Furthermore, if one considered how much the under-developed countries had to pay to the industrial countries in interest on loans, in profits on foreign investments, one realized that the former could hardly purchase the capital goods enabling them to strengthen their economic situation, already greatly endangered by the unpredictable price fluctuations of primary commodities.

8. Substantial changes had, however, taken place during the past year in the economic situation of countries with private enterprise economies. It was clear that the factors determining the growth of their production were being largely exhausted. In the financial sphere, the armaments race had generated inflationary pressures which were creating extremely grave problems in those countries and were endangering the stabilization of the world economy and the normalization of international economic relations. For that reason, the Czechoslovak delegation welcomed Economic and Social Council resolution 654 B (XXIV), which called for a reduction of armaments expenditures by Member States of the United Nations. It was regrettable, however, that the Council had not taken advantage of the opportunity to address an express appeal to Governments to reduce those expenditures for 1958 by 10 to 15 per cent as compared with the figures for 1957. The funds thus released might have been utilized for raising the general standard of living in the under-developed countries. For several years the General Assembly and the Economic and Social Council had been discussing a plan for setting up a Special United Nations Fund for Economic Development. That plan was supported by almost all countries except the Western Powers, which pleaded their heavy armaments expenditures as an argument for delaying the setting up of the Fund. Thus it could be assumed that those Powers were unwilling to give up the economic weapon as a means of pressure on the less-developed countries striving for political and economic independence. The Czechoslovak delegation, on the other hand, would spare no effort to press for the establishment of the Special Fund.

9. The World Economic Survey, 1956 (E/2982), gave greater prominence than its predecessors had done to the development of countries with centrally planned economies. Not only were those countries developing at a rapid rate but their progress was of a lasting character because it was based primarily upon the

spirit of co-operation and mutual assistance which prevailed among the socialist States. In Czechoslovakia, the year 1956 had been marked by a substantial increase in industrial and agricultural production and in the volume of investments and by the expansion of both internal and foreign trade. The economic plan for 1957 envisaged an additional increase of 7.8 per cent in industrial production, with special emphasis on the production of consumer goods. In spite of the acute shortage of labour in some branches, the fulfilment of those plans seemed assured.

10. Since 1948 Czechoslovakia had increased considerably the volume of its foreign trade, particularly with the under-developed countries, which found in Czechoslovakia a secure and long-term market for their goods. Czechoslovakia in turn was able to deliver to them all the equipment necessary for their industrialization. That was the result of the special reorganization of the Czechoslovak economy with a view to a high output of capital goods.

11. He considered that the serious economic problems he had mentioned could be solved only by a sincere application of the principles of peaceful coexistence, of which the development of international trade was one of the most practical aspects. Unfortunately, the importance of the problems of foreign trade had not yet been recognized by the United Nations. There was no specialized agency concerned with matters of trade, and some countries had shown a marked dislike for the establishment of such an agency. GATT, however great its usefulness, had a very limited sphere of activities, and the same would be true of the Organization for Trade Co-operation which it was planned to establish.

12. One of the principal causes of the prevailing situation was the existence of closed economic groups. The countries parties to the European Economic Community accounted for roughly 20 per cent of world trade. If a few more countries joined the Community, then almost one half of the trade of the capitalist world would be limited to that exclusive network. That was a prospect which the rest of the world, especially the under-developed countries, could not contemplate without anxiety. Such a development would also not fail to affect the overseas territories, for their dependence on certain European countries would be accentuated by the existence of the common market. By contrast with these endeavours to achieve a so-called European integration he referred to the endeavours to achieve genuine solidarity in other parts of the world, where the object was to promote the expansion and stabilization of the economies of the areas concerned. All those problems should be the subject of international consultations under Economic and Social Council resolution 654 E (XXIV). The Czechoslovak Government was therefore awaiting with keen interest the report of the Secretary-General on that subject.

13. It was certain that even a partial solution of the most pressing economic problems would help to ease international tension, promote the establishment of friendly relations among nations and strengthen world peace - all basic prerequisites for the improvement of the social and cultural standards of nations. In that connexion, the confirmation by the General Assembly of the principles mentioned by the representative of Romania (455th meeting) would incontestably aid the

cause of international economic co-operation. Those principles should then be considered by the competent organs of the United Nations, for example the regional economic commissions. He thought it was a mistake to limit the activities of those commissions and to keep them from considering general economic questions.

14. In addition, the countries not yet Members of the United Nations or not lawfully represented in it, as for example the People's Republic of China, should be given every opportunity to participate in the activities of the regional economic commissions. Lastly, the widening of inter-regional co-operation would assist in parrying attempts to split the world into separate groups. The Czechoslovak delegation attached exceptionally great importance to that form of co-operation and reserved its right to submit a draft resolution concerning the matter at a later date.

15. Mr. WOLBROUN (Belgium) said that since the end of the Second World War the world economic situation had contained truly remarkable features. Facts had failed to bear out pessimistic predictions: the rate of expansion of agricultural production had been higher than the rate of population growth; the extractive industries had experienced a considerable development, and despite fears that reconversion from the wartime to a peacetime economy might cause a serious depression, industrial output in 1955 had been twice that of 1937 as a result of unprecedented demand. Progress in scientific research had produced an infinite number of new products, needs and employment opportunities. At the same time the world had come to appreciate that in individual countries, as in the world as a whole, the entire population had to participate in production, create demand and consume the goods produced. Furthermore it was now generally conceded that hardships attributable to old age, involuntary unemployment, industrial accidents and illness should be relieved and that the right to leisure should be recognized. The measures taken to satisfy that new social awareness had generated additional demand. There was greater understanding for the social, economic and political imperatives of international solidarity. At the economic level the facts were better known, partly thanks to progress in statistical methods. Governments were better equipped to create conditions conducive to full employment and economic stability.

16. Yet, although the level of world production had continued to rise in 1955, the rate of the expansion had slackened and existing problems had been joined by new concerns. In spite of a recent decline in the prices of many raw materials, which had affected metals more than agricultural products, there had been a major general price increase accentuated by higher private investment and public expenditure as well as by intensified competitive efforts of industrial workers, farmers and entrepreneurs to protect or increase their share of the national income. Inflationary pressures had appeared at a time when numerous sectors were suffering from excess capacity. The disequilibrium in the balance of payments had been aggravated in many countries. World demand for primary products had risen more than the demand for manufactured goods. Agricultural surpluses had remained a very serious problem. Competition between synthetic and natural products had become keener in certain sectors. Although production, con-

sumption, savings and investments had risen in the under-developed countries, their rate of economic growth had lagged behind that of the industrial countries. The growth in absolute value of international trade had been due primarily to the expansion of trade among the industrialized countries. Finally, vast resources and efforts were still being applied to the production of ever more destructive weapons.

17. All those factors had had the effect, as the Under-Secretary for Economic and Social Affairs had observed (454th meeting), of disturbing the atmosphere of confidence which had prevailed in the world until very recently. However, cause for hope was to be found in the extraordinary advances made since the Second World War, which were evidence of the profoundly dynamic nature of the economy, in the rapid recovery of the world economy after the crisis provoked by the temporary closing of the Suez Canal, and in the fact that, despite the Middle East crisis, inflationary pressures, speculative movements and the disequilibrium in the balance of payments, there had been no stronger resort to trade restrictions in 1956 and that in case of necessity the means which might be used to combat deflationary trends were considerably more potent than in the past.

18. Many Governments had employed classic monetary methods for the purpose of curbing inflationary pressures. In the prevailing circumstances, however, the fight against inflation called for a special discipline on the part of both Governments and employers and trade union organizations, lest the nominal gains won by certain groups should prove illusory or constitute a burden to society as a whole. Nor should it be forgotten that economies were closely interdependent and that inflation was contagious.

19. The problem of the disequilibrium of balances of payments, the stabilization of the prices and markets of raw materials, which was an extremely complex problem of great importance for the under-developed countries, likewise required constant attention and concerted action. The Belgian delegation was happy to note that the International Monetary Fund had in that respect played an increasingly important role, its operations during the last financial year having exceeded the total of those of the previous ten years. By its seasonal or other interventions in support of certain countries which produce raw materials, the Fund had also helped to remove certain difficulties relating to raw materials. In that connexion, Governments should be encouraged to enter into agreements relating to particular commodities, and to continue to explore other new solutions, no matter how disappointing previous attempts in that direction had been. But it should not be forgotten that it would be the economic development of under-developed countries, the diversification of their output and the increase in their domestic consumption that would ultimately help to stabilize the prices and markets of raw materials.

20. The problem of agricultural surpluses was most complex and paradoxical. An interesting initiative was the adoption by the Economic and Social Council of a United States proposal for the establishment of national food reserves for emergencies, for it would permit the use of certain surpluses for humanitarian purposes without the disorganization of markets.

21. In a world where technology played a fundamental role, competition between synthetic and natural prod-

ucts was inevitable. A further expansion of the economy might generate a demand sufficient to absorb both natural and synthetic products. The questions of raw materials and synthetic products, however, constituted but one small aspect of the problem of the economic development of the world's under-developed regions. The United Nations and its specialized agencies were devoting their best efforts to the solution of the problem. The task was enormous and the means available were limited, but the United Nations had taken a first step in the right direction and had made a substantial contribution towards bringing the world to an awareness of the need for such essential action.

22. The GATT report, International Trade 1956, contained some interesting projections concerning rates of growth of output and population between 1953-1955 and 1973-1975. General prospects appeared favourable and pointed to an increase in import receipts for the under-developed countries and a considerable expansion in world production as a whole. Hence, even if the 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.

23. He sketched rapidly economic conditions in his own country. Belgium had in 1956 experienced the most prosperous year in its history. The level of employment was very high and social policy, already very enlightened, was making constant progress. Efforts to stabilize prices or limit the price rise had been matched by moves to ensure a certain wage stabilization. Scientific research was encouraged in varied fields, especially automation and the peaceful uses of atomic energy. Measures placing a temporary check on effective demand and investments had not obscured the need for long-range growth, which was encouraged by a policy of capital development and modernization; the sectors affected include roads, waterways and port installations. In the first half of 1957 exports had reached an absolute record of 82,756 million Belgian francs and imports in the same period had exceeded all previous figures.

24. The functioning of the customs union which the Benelux countries had established and which was shortly to become a full economic union, had been noteworthy; it had in no way affected the trade of the three countries concerned with the rest of the world, in fact quite the opposite. Similarly, Belgium had become a party to the Treaty establishing the European Economic Community. It was convinced that those moves towards economic and social integration - which perhaps represented only a stage - would tend not merely to raise the standard of living of the countries in the Community but also to contribute to economic development and world trade by the creation of a broader market.

25. Belgium's foreign economic policy had been characterized at all times by co-operation. Long before any United Nations technical assistance programme had existed, Belgium had been sending its engineers and capital to all areas of the world. It was now participating on a large-scale in efforts to further international economic co-operation; it would continue to participate in all efforts to strengthen the co-operation and place the use of science and technology

in the service of peace and the economic and social development of all mankind.

26. Mr. RAJAPATIRANA (Ceylon) welcomed the representatives of Ghana and Malaya, who were attending the Committee for the first time. He expressed the hope that the Committee would do its utmost to achieve tangible results in the field of international economic co-operation.

27. The reports submitted to the Committee at the eleventh session of the General Assembly had shown that, despite the satisfactory rate of economic growth in the world as a whole, the gap in the rate of economic growth between the industrially advanced countries and the under-developed countries had tended to be wider rather than narrower. In other words, the prosperity of the former did not necessarily ensure the satisfactory economic growth of the latter. According to the reports to the current session, the rate of economic growth had slowed down as a whole in 1956 and early 1957, a phenomenon which suggested that the very disparity in rate of economic growth between the under-developed and the industrialized countries posed a possible threat to the smooth and progressive rate of economic growth of the latter. Moreover, very possibly the unnecessary hostilities in the Middle East had, by dislocating the smooth and orderly movement of trade, aggravated the situation. Similarly, the pressures exerted on production and resources by often competing military and civilian consumption had inevitably affected economic development adversely. Finally, as was stated in the World Economic Survey 1956, in spite of years of prosperity, the countries of Europe had been so pre-occupied with their own problems that there had been no significant increase in the level of assistance to the under-developed countries.

28. While the fiscal and monetary measures adopted by various industrialized countries in their battle against creeping inflation were designed to maintain the stability of prices and of currencies, nevertheless, as the Under-Secretary for Economic and Social Affairs had pointed out, they also involved serious risks to production, employment, investment and levels of living. The measures in question might, he feared, have the effect of halting the growth of the under-developed countries which would inevitably lead to unemployment, low per capita incomes and serious internal political difficulties. Of course, inflation should be halted but the question was whether the orthodox methods of dealing with it were the most satisfactory in the modern world. What was required was more dynamic, positive action as opposed to negative action. Perhaps the Secretariat could conduct some research into the subject. Mr. de Seynes had already pointed out that increased productivity rather than reduced demand would seem to provide a more effective long-run solution to the problem of external imbalance.

29. The economic position of the under-developed countries was worsening further because the fall in the world prices of their export commodities had decreased their earnings, while the cost of the capital and industrial goods they imported had risen because of the progressive inflation in the industrialized countries. The under-developed countries therefore either had to obtain more foreign capital, of which there was not much chance in view of the shortage

of private capital, or to retard the pace of economic growth by reducing investment, at the risk of acute unemployment, discontent and even chaos. The problem therefore was whether it was possible to continue a satisfactory rate of economic expansion and at the same time keep prices stable. An answer to that fundamental question had to be found, and found quickly.

30. Another matter of importance arising out of the Council's report (A/3613) was that of world trade co-operation. International economic relations could hardly be called satisfactory at the moment, for the volume of trade between Eastern and Western Europe remained small and the People's Republic of China was shut out from world commerce. The Government of Ceylon, together with other countries whose trading activities were uninhibited by the difficulties affecting the great Powers, was ready to co-operate fully with all countries of the world in order to improve the situation.

31. For Ceylon as for other under-developed countries the terms of trade had been worsened still further in 1957. Thanks to agreements entered into with Burma and China, it had been possible for Ceylon to secure its essential supply of rice and to sell its rubber to China at high and stable prices. An agreement had also been reached recently among the three countries, Ceylon, Egypt and Japan, whereby the sale and purchase of Ceylon tea and Egyptian cotton were facilitated in view of certain currency difficulties. Ceylon's planned industrial development was proceeding in keeping with the resources available under the direction of a Planning Council of which the Prime Minister was chairman. A National Provident Fund had been formed to encourage savings. In spite of the aid received under the Colombo Plan and despite assistance from the United States and in the form of foreign loans, the Government of Ceylon had had to rely mainly on its own resources to maintain its high rate of capital expenditure. The fall in world commodity prices and the consequent effect on income and savings might well lead to a considerable decline in national resources. Accordingly, Ceylon might be compelled to take measures, pleasing or displeasing to some, to remedy the situation for it could not halt the country's economic development.

32. Mr. RICARD (Canada) said that the United Nations could not, of course, solve every problem brought to it but the achievements of the Economic and Social Council and the Second Committee showed that the Organization could be of help when it worked out practical decisions which were supported by Governments and peoples.

33. Like the under-developed countries, Canada had to export on a large scale in order to promote its economic development and maintain a high standard of living. Consequently, it was deeply interested in measures designed to promote international trade and

in international commodity agreements and concerned at the fluctuations in the world prices of primary commodities. The Canadian authorities were satisfied, however, that considerable progress had been made towards improving international trading conditions through the use of the existing machinery for international trade co-operation.

34. Referring to economic assistance to the under-developed countries, which was an obligation of the industrialized countries, he said that considerable sums of money were being provided by Governments under bilateral programmes to supplement the large amount of private capital invested in the under-developed countries. Furthermore, each year, certain Governments paid large contributions to the Expanded Programme of Technical Assistance, the United Nations Children's Fund and other United Nations bodies. It was only right and proper that the various national parliaments, in voting funds for assistance to the under-developed countries, should wish to satisfy themselves that the best possible use was made of available resources. Some Governments might prefer to assist the under-developed countries through the United Nations. Others might wish to emphasize direct aid to countries with which they had special ties. Canada, for example, was a strong supporter of the Colombo Plan. The common objective of all countries should be the most effective use of aid resources available both through the United Nations and through other programmes. His delegation considered that there should be some relation between the different types of assistance and agreed with the representative of Ghana about the importance of avoiding duplication and competition between the various types of aid.

35. In common with other countries, Canada was facing the problem of inflation and the difficulties created by the maintenance of economic balance while the rate of growth was being accelerated. It was gratifying to note that those questions would be discussed in the next World Economic Survey. In that connexion, he said that the study recommended by the Japanese representative of the possible economic effects of disarmament was unlikely to yield significant results at the moment, since no agreement on disarmament had been reached. With reference to the suggestion made by the representative of Romania that the General Assembly should consider the possibility of adopting a set of principles concerning international economic relations, he said that the Committee would hardly be able to agree on such a text without lengthy and difficult discussions. The Canadian delegation preferred to avoid prolonged debate and to concentrate on constructive measures for the further development of economic assistance plans. Canada would continue to support and press in the United Nations for decisions which were practical and constructive and in conformity with the spirit of the Charter.

The meeting rose at 5.30 p.m.