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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. HAYTA (Turkey) said that although no longer a member of the Economic and Social Council, Turkey followed its activities and those of its regional and subsidiary bodies with keen interest and considered that they deserved high praise.

2. Commenting on the publications before the Committee and the statements of delegations, which showed what widely different conclusions could be drawn from the same economic facts, he said that up to 1951 the post-war period had been dominated by reconstruction efforts in the war-devastated countries. The latter had been greatly helped by the aid they had received from the United States and from the United Nations specialized agencies, and many countries in the free world had been able to raise their production to a level far above that of the pre-war years. Moreover, before and during the Korean War the increased demand for raw materials had resulted in a rise in their prices, to the advantage of the producing countries, which had been able to increase both the volume and the value of their exports. Subsequently when demand and prices had weakened, the producing countries had again experienced balance of payments difficulties, but the economic expansion of the industrial countries had continued unabated.

3. Inflationary pressures had been felt in most countries; some had endeavoured to prevent a fall in production and a rise in unemployment by means of flexible monetary policies. Measures had included increases in bank rates and the restriction of bank credit. The primary producing countries' difficulties had continued as a result of the rise in the prices of the capital goods they needed to import and the decline in their export earnings. At the same time trade between the industrialized countries had increased relative to trade between the industrialized and the primary producing countries. Other factors militating against the latter countries had been the decline in the volume of foodstuffs in general consumption, the replacement of natural by synthetic products and greater agriculture production in certain industrialized countries. Events in the Middle East in the past year had, for a period, adversely affected the economic situation of a number of countries.

4. The salient factor, today as in the past, was the widening gap between the industrialized and the under-developed countries. His delegation hoped that practical measures would be taken multilaterally, bilaterally and nationally to narrow the gap, in the interests of industrialized and under-developed countries alike.

5. During the past year the Turkish Government had not slackened its efforts to industrialize the country. Growth had been notable in most sectors and construction work had included the building of a number of dams, cement works, sugar refineries, and hydro-electric and thermal stations. Turkey would continue its efforts to raise the standard of living of its people. There were vast natural resources in the country still to be exploited, as various economic missions had pointed out. Legislation offered foreign investment capital great possibilities. Turkish and foreign companies were already undertaking oil prospecting.

6. Turkey was interested in the projected creation of a free trade area in Europe but considered that it was too early to judge the possible outcome of the European Economic Community. The Turkish Government warmly welcomed the establishment of the International Atomic Energy Agency and was glad to have been elected to its Board of Governors.

7. In general, his delegation supported Council resolutions 654 (XXIV), 655 (XXIV), and 656 (XXIV) but hoped that the implementation of resolutions 654 A (XXIV) and 654 E (XXIV) would be without prejudice to existing international economic and trade bodies. It noted with satisfaction that the regional economic commissions were doing useful work in their own fields and that the Council had approved their programmes of work and priorities (resolutions 655 A (XXIV), 655 B (XXIV) and 656 C (XXIV).

8. Mr. RUIZ MORALES (Spain) said that in the course of its history Spain had known both poverty and wealth and because of its geographical position and cultural ties, was well placed to understand the European, African and American viewpoints. It could also appreciate the problem of economic development for, despite the substantial expansion of industrial income during the past ten years, Spain like the Latin American countries, was seeking to improve its economic infrastructure, by developing rail, road and air transport, electric power, irrigation and agricultural production and marketing, and was promoting the expansion of heavy and secondary industries. His delegation sympathized with the desire to accelerate the economic development of under-developed countries, some of whose problems Spain shared, but considered that in economic as in other matters it was wise to hasten slowly. Nothing was to be gained by forcing the pace unduly.

9. With regard to his own country's economic position, he noted that in 1936 Spain had been deprived

of its Central Bank gold reserves and had been compelled to reconstruct its economy and to meet the ever-increasing requirements of a growing population without such reserves. Despite those difficulties, Spain had not only survived but had made great advances. For example, the output of electric power had been quadrupled in the past 20 years. In that connexion, his country was grateful to Portugal and Argentina for the economic assistance they had extended and to the United States, which had furnished substantial assistance after the completion of the European recovery programmes.

10. Spain now wished to dismantle the machinery of controls and restrictions to which it had been forced to resort by the loss of its gold reserves and the fact that it did not participate in the great post-war foreign aid programmes. It would like to do so without special assistance by the expansion of merchandise exports and such invisible items as ocean freight, tourism and remittances from emigrants abroad, but owing to force of circumstances would have to make use of external aid, as it had done in the past. In that connexion, he noted that Spain's purchase of agricultural surpluses on advantageous terms, which various representatives had complained had adversely affected their country's exports, had been made not from choice but from necessity. In view of the lack of gold and foreign currency reserves, the Spanish people would otherwise have had to do without the grains, meat and cotton they needed. While grateful for the opportunity to make such purchases, Spain would be glad to join with others in studying a system that would enable it to buy the commodities it needed on ordinary commercial terms.

11. It was ironical that international illiquidity should be a problem to so many countries at a time when creeping or runaway inflation, of which one symptom was the abundance of means of payment, was a source of such widespread concern. It was essential in his delegation's view, that the Committee should consider inflation as an international problem in international terms, for as the Under-Secretary for Economic and Social Affairs had pointed out (454th meeting), while anti-inflationary policies were primarily national rather than international in character, they had significant international repercussions. Moreover, it should be remembered that deflation could be as destructive as inflation, and lack of international means of payments to buy needed materials and equipment would prevent many countries from organizing construction of public works to counter unemployment generated by deflation.

12. In the modern world in which there was no gold standard and no international currency, any disinflationary measures in the five or six countries whose currencies were used as international means of payment withdrew means of payment from circulation and paralysed or crippled a commercial or industrial sector, with repercussions which might affect the entire world economy.

13. Such a disinflationary policy would multiply the effects of the structural trends to which attention had already been drawn by various representatives. The concentration of wealth in the highly industrialized countries, accelerated by recent technical advances, and the progressive impoverishment of the less developed countries would be accelerated and the gap between levels of well-being in

the rich and the poor countries would be further widened, with consequences that might be serious. As was the case before the Second World War, the world was being divided into "have" and "have-not" countries and if the latter were not enabled to share in the well-being made possible by technological advances an explosive situation might result.

14. At the recent annual meeting of the International Monetary Fund and the International Bank for Reconstruction and Development, the international monetary situation had been described in conflicting terms. Governors from primary producing countries, for example, had complained of rising international ocean freight rates, while a Governor from a country with a large merchant fleet had deplored the decline in his country's foreign exchange earnings due to falling ocean freight rates. However, whatever the disagreements in the interpretation of statistical data the problem of international illiquidity remained and was not peculiar to Spain alone, although because of its marginal dependence on the international means of payment obtainable through current transactions, Spain was particularly sensitive to fluctuations in international liquidity. His delegation earnestly hoped that the problem would receive the Council's close attention.

15. In closing, he expressed his country's regret that Germany whose economic and industrial importance was universally recognized, was not participating in the work of the Committee.

16. Mr. LAMANI (Albania) observed that the report of the Council (A/3613) before the Committee showed that further efforts had been made in many countries toward their social and economic development. Internationally, too, despite the self-interest of some, progress had been made in the sphere of economic co-operation. Nevertheless, the opportunities offering themselves were far from being fully used, however, and his delegation thought that the United Nations should give due weight to the development of economic relations between States regardless of their political and economic systems. The expansion of such relations would contribute to the restoration of international confidence and the strengthening of peace while at the same time helping to improve the economic position of numerous States, foremost among them the under-developed countries. International economic co-operation should, however, be based on certain fundamental principles, including respect for the economic independence of every State, the right of each State to dispose freely of its own wealth, the right of equality and the principle of mutual benefit in relations with other States.

17. One of the most important tasks in the sphere of international economic co-operation was that of narrowing the economic gap between the advanced and the under-developed countries. The latter were aware of the need to develop their own industries and keen to rely primarily on their own efforts; they were, however, entitled to count on the disinterested help of the industrialized countries, which should provide them with capital equipment, technical information and assistance in training specialists. Measures should be taken to foster trade in the raw materials which were the under-developed countries' main source of income, to eliminate instability of prices and to regulate the terms of trade.

18. In the under-developed countries, production was inadequate to meet the needs of their growing populations and levels of living were low despite their great natural wealth. If they were to emerge from that situation sincere and effective help must be given them, free from all economic and political conditions. One of their urgent needs was for advantageous markets for their mining and agricultural products so that they could buy the equipment necessary for their industrial development. Financial help, too, was necessary, and in that direction the United Nations should take an active part. Most nations were now in favour of the immediate establishment of the Special United Nations Fund for Economic Development and it should be set up with all speed in conformity with the principles of the Charter.

19. Albania had participated with interest in the United Nations Technical Assistance Conference, held in New York on 10 October 1957, and had pledged a contribution of 100,000 leks for 1958. Under foreign domination, Albania itself had been backward both economically and culturally. With its liberation, however, the situation had changed: foreign concessions had been withdrawn and economic and social reform had provided the necessary foundation for the construction of a socialist economy. Through agrarian reform, feudal ownership had been eliminated and the land had been given to the peasants. Industry, the mines, banking and transport had been nationalized. By its own efforts and with the help of the Soviet Union and of the peoples' democracies Albania had repaired its war damage and had built up its industry, with the result that industrial output was now twelve times greater than in 1938. Progress had also been made in agriculture: the area under cultivation had increased by 75 per cent by comparison with 1938 and agricultural production by 58 per cent. By 1960, Albania would be producing enough grain to satisfy its national needs. The mechanization of agriculture was proceeding rapidly. A considerable area of marshland had been drained and hydroelectric stations and other industrial plants had been built. The success of Albania's planned economy was evident from the fact that the national income in 1955 had been 70 per cent greater than in 1950 and that in 1960 it was expected to be 53 per cent greater still. Between 1951 and 1955 workers' real wages had risen by 20 per cent and the income of peasants by 35 per cent. During the period of the first five-year plan the State alone had built 450,000 square metres of living space. Thanks to increased industrial and agricultural output per capita consumption had increased and although the population was steadily growing health and living conditions continued to improve.

20. At the same time, Albania's foreign trade had rapidly expanded and Albania was now exporting not only agricultural produce but also various mineral and industrial products. The People's Republic of Albania had trade relations with 21 countries and was ready to establish such relations with any other country on a basis of mutual benefit. The economic development of the socialist countries was such that fresh opportunities were constantly occurring for trade relations with others, so long as artificial barriers were not created. Groupings such as the European Common Market, which linked a small group of countries connected with the North Atlantic Treaty Organization (NATO), could not but harm the interests of the peoples

immediately concerned and of the world as a whole. Free international trade was also obstructed by the attempt, mainly on the part of the United States, to isolate certain countries commercially. Such attempts often met with failure, as in the case of the embargo against the People's Republic of China.

21. As the reports before the Committee and the statements of representatives revealed, many countries were confronted with economic difficulties such as inflation and imbalances between different sectors of the economy. All those problems represented opportunities for the United Nations to act positively to try to improve international economic relations. To that end the Soviet delegation had proposed, at both the eleventh^{1/} and at the present session (459th meeting) of the General Assembly, the convening of an international economic conference. The Albanian delegation supported that proposal in the belief that such a conference was likely to be fruitful and beneficial to everyone concerned. It also supported the proposal for the convening of an international conference to deal with problems concerning the development of under-developed countries. The Romanian proposal (455th meeting) concerning a declaration on the principles of international economic co-operation, the Bulgarian proposal (459th meeting) for the convening of a conference of experts in 1958 and the Czechoslovak proposal (458th meeting) on the development of regional and inter-regional economic relations also had his delegation's support. The trend towards fuller and more effective economic co-operation between the various countries was growing day by day and the peoples of the world were naturally anxious that it should develop to the utmost. The Albanian delegation hoped that the General Assembly would concentrate on achieving effective international collaboration in the economic and other fields and would support any proposals towards that end.

22. Mr. COOPER (Liberia), after congratulating the Council on its comprehensive report, said that the economic interdependence of nations had today come into clearer and more complete focus than ever before and the extremely sensitive character of the world economy was reflected in the inflation which was at present plaguing the economies of most countries. Wage and price trends up or down had had their swift and resounding impact in all directions.

23. Liberia, which was a mainly agricultural and under-developed country, had not been spared the inflation and economic difficulties besetting other under-developed countries. Those countries depended almost entirely on the capital accruing from the export of their primary products and the existence of disparity between the prices of capital goods and primary products was a heavy blow to the development and maintenance of their economies. Given the ever-shrinking margin of domestic resources for development programmes in those countries, social growth and economic expansion were impossible without the investment of external capital.

24. His delegation considered that the economic ills of the under-developed countries should be fully diagnosed with a view to immediate remedial action.

^{1/} See Official Records of the General Assembly, Eleventh Session, Plenary Meetings, 589th meeting, and ibid. Second Committee, 404th, 414th and 439th meetings.

Such action might include measures to increase the flow of private capital to the under-developed countries, the expansion of trade, the provision of markets for primary commodity surpluses, the stabilization of raw material prices within reasonable limits, and multilateral import arrangements not based on preference or prejudice. Within that context his delegation would support the establishment of any machinery, such as the Special United Nations Fund for Economic Development (SUNFED) which might be useful in promoting broader economic co-operation and solidarity.

25. His delegation regretted that the major capital-exporting countries had not found it economically feasible to participate in the establishment of SUNFED and had made their co-operation contingent upon the accumulation of sufficient savings from eventual disarmament measures. Whatever the outcome of the discussions on SUNFED, the Liberian delegation hoped that positive steps would be taken in the meantime to stabilize raw material prices. Liberal and realistic action to meet the need of the under-developed countries was essential, in the interest of international peace and security, for material security and political security were indivisible.

26. In conclusion, his delegation associated itself with the request of the representatives of Ghana, Sudan and Brazil (at the 455th and 456th and 460th meetings respectively.) for the establishment of an economic commission for Africa, and hoped that the Economic and Social Council would give the matter due consideration.

27. Mr. LOUGH (New Zealand) said that he wished to examine, from the point of view of a primary producing country like his own, the statements made by the Under-Secretary for Economic and Social Affairs (454th meeting) that countries with external surpluses as well as those with deficits were today resorting to anti-inflationary methods and that a deficit country could hope to correct its balance of payments only "through differential deflation".

28. Although New Zealanders enjoyed a high per capita income and standard of living, New Zealand's prosperity was dependent on a narrow range of agricultural exports which provided the foreign exchange needed to import raw materials for the country's industries, some consumer goods, and capital goods for the heavy programme of economic development necessary to keep pace with a rapidly growing population. Nearly half the goods used in the country were imported. For that reason New Zealand was very conscious of the need for mitigating fluctuations in world commodity prices and of the effect which an unfavourable movement in the terms of trade between primary products and industrialized goods could have on a primary producing country.

29. In New Zealand, as in most countries faced with the need for maintaining a high rate of capital development, monetary and other policies had had to be employed to restrain investment and other expenditure, partly to reduce internal inflationary pressures, but mainly to keep the demand for imports within its earning of foreign exchange. Such economic restraints had been found necessary even when export prices were satisfactory. If export prices fell, a country with an economy like New Zealand's was obliged to intensify its disinflationary policies and to cut back investment expenditures in order to reduce the demand for imported goods to the

new lower level of foreign exchange earnings. At the same time, it might often be necessary to impose or intensify quantitative restrictions on imports.

30. In the national interest, a primary producing country had no alternative but to cut its expenditures on imports to its export earnings unless it was able and willing to incur the cost of obtaining foreign credits, thereby mortgaging its future export earnings. But a primary producing country's imports were usually the exports of industrial countries and the national action which each country was obliged to take, and which it could not avoid alone, tended to depress world trade still further. There was therefore a grave danger that a check to the rate of economic growth or decline in economic activity in a major industrial nation could touch off a cumulative contraction in world trade, thus checking economic growth in other trading nations. The question was whether in the modern world of enlightened economic thinking means existed of preventing such a disastrous world trend from occurring.

31. Most Governments were preoccupied with the problems of inflation, but it would be unwise to be complacent about deflation and to give no thought to how to deal internationally with a contraction in world trade.

32. Under the influence of government policies there had, in fact, been a levelling off in economic activity during the last year. Despite that trend prices of industrial products in world trade had continued to rise under the influence of cost inflation, primarily because wages had risen faster than productivity, but there had been a weakening in world prices of many primary products and a widening of terms of trade between finished goods and primary products. That had been a serious trend for less developed countries.

33. It might be asked whether one of the consequences of the wide use of monetary policies in the major industrial countries to control wage as well as demand inflation might not be a weakening in world commodity prices. Interest rates and credit policies, for example, had a strong influence on the level of stocks not only of primary products but also of finished goods. Rising interest rates and tighter credit could therefore affect the demand for primary products and touch off a downward trend in commodity prices. In Ceylon, the demand for tea had slackened and tea prices had fallen after the recent increase in bank rate in the United Kingdom.

34. Primary producing countries like New Zealand were of course anxious that the major industrial countries should do everything possible to check the inflationary pressures which were increasing the cost of capital goods needed for their development. In that connexion, his delegation hoped that the United States Government would watch very carefully the international consequences of its anti-inflationary policies, since monetary and other disinflationary policies in the United States might dampen down the demand for industrial raw materials before checking cost-generated internal inflationary pressures. As a drop in United States demand could have a distressing effect on world commodity prices, the United States authorities might have to ask themselves, if such a drop occurred, whether they should continue their anti-inflationary measures until they had halted the "creeping" inflation of costs and prices regardless of the effect on world commodity prices.

35. Other things being equal, anti-inflationary measures tended to improve the external balance of a country. Such measures in the United States and other surplus countries would therefore tend to enlarge external surpluses. A deficit in the international transactions of any country had to have its counterpart in a surplus in the external transactions of another country. If the surplus countries found it necessary for internal reasons to pursue disinflationary policies tending to enlarge their external surpluses, the deficit countries could not hope to balance their external accounts unless they could outstrip in severity the disinflationary policies of the surplus countries. That was not the sort of race which should be encouraged.

36. Given the wage rigidities and other influences on costs in the economies of most countries in the world today, the question arose whether it might be too risky to try to achieve national and international stability in costs and prices. A balance at the point where prices and costs were stable might be too precarious, and a slip down the slope of deflation too easy. Once started, it would be hard to stop slipping, and the climb back to recovery would be long and slow.

37. His delegation did not profess to have the answer to the problem. However, it was a matter the Secretary-General might find suitable for fuller examination and discussion in part I of the *World Economic Survey for 1957* under Council resolution 654 D (XXIV). His delegation shared the view of the Under-Secretary for Economic and Social Affairs that the international repercussions of national anti-inflationary policies was one area where systematic consultations between Governments might reduce the danger of "mutually frustrating deflation". No doubt such consultations could take place within one of the many organs of the United Nations and the specialized agencies. The Secretary-General might wish to discuss the matter more fully in the report requested in Council resolution 654 E (XXIV) concerning international consultation on world economic conditions.

38. Although New Zealand was anxious that everything practicable and possible should be done with a view to stabilizing international commodity markets, his delegation doubted that any useful purpose would be served at the present time by the Sudanese representative's suggestion (at the 690th plenary meeting) concerning a conference between those who produced major crops and those who depended on such crops for feeding their industrial machine. The countries concerned were already meeting in numerous widely representative international forums where the problems of countries dependent on the export of raw materials and primary products could be given careful attention. Considered objectively, there were probably too many organizations concerning themselves with commodity questions.

39. The fact that very limited steps had been taken and in specific fields only had not been because international forums for discussion were lacking. Progress had been slow because the major industrial nations had not been prepared to participate actively unless, as in the case of wheat, tin and sugar, the agreements would serve to protect their immediate interests. In view of that attitude and the complexities involved, the conference which attempted to deal with several commodities, or to conclude agreements relating prices of industrial goods and prices of primary commodities would have little prospect of success. A commodity-by-commodity approach, with studies originating in one of the existing United Nations organs, would still seem to be the preferable way of tackling the problem.

40. From the broad point of view, the best contribution the major industrial countries could make to the stabilization of international commodity markets was to pursue internal policies which would ensure a level of domestic economic activity high enough to maintain their demand for primary products.

41. With reference to the Romanian representative's suggestion (455th meeting) concerning the formulation of a set of principles governing economic relations between nations, his delegation felt that such an exercise, while possibly interesting, would take up Committee time which could profitably be spent on practical measures. The Committee should concentrate on implementation of the principles of the Charter and devote its time to positive and practical measures, such as technical assistance and finance for the under-developed countries. His delegation hoped that the matter would not be referred to the Council, whose agenda was already very full.

42. With respect to the Czechoslovak suggestion concerning greater participation by Member States in the work of regional commissions of which they were not members, his delegation considered that the Second Committee and other United Nations forums already provided an opportunity for exchanging views and learning about each other's problems and doubted whether the General Assembly should recommend attendance of all countries of the United Nations at meetings of the regional economic commissions. The commissions were not intended to be global meetings and their work could be seriously hindered if too many countries from outside the region attended and spoke on items under discussion. In any case, Governments were aware of their right to attend meetings of regional commissions and would no doubt attend if they considered it in their interests so to do. He hoped that the Czechoslovak delegation would modify its proposal before submitting a draft resolution to the Committee.

The meeting rose at 4.50 p.m.