

United Nations
**GENERAL
ASSEMBLY**

TWELFTH SESSION
Official Records



**SECOND COMMITTEE 454th
MEETING**

*Wednesday, 2 October 1957,
at 3.10 p.m.*

NEW YORK

CONTENTS

	<u>Page</u>
Agenda item 12: Report of the Economic and Social Council (chapters II, III, IV and V) General debate.	5

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)**

GENERAL DEBATE

1. Mr. DE SEYNES (Under-Secretary for Economic and Social Affairs) said that the discussion in the Economic and Social Council at its twenty-fourth session had been devoted in large measure to an appraisal of the world economic situation and an examination of the longer term problems involved in reconciling economic growth with conditions of internal and external stability.

2. Economic growth had continued in 1956 and early in 1957, but there had been some decline in momentum in relation to previous years. That decline had been traceable to government policy, re-inforced in many cases by factors originating in the private sector of the economy.

3. In the centrally planned economies, government policy had been prompted largely by the need to eliminate various types of imbalance, including the slow rate of increase in agriculture, the inadequate rate of growth in production of power, fuel and raw materials, and the imbalance between the resources devoted to current consumption and those made available to heavy industry. Those imbalances had added to the problems inherent in the increasing complexity of the economies, and had induced Governments to revise their methods of planning and economic organization.

4. In the private enterprise economies, the slowing down in the rate of growth of production had been largely the result of government anti-inflationary policy, prompted either by the upward pressure on prices and wages which had accompanied economic expansion, or the need to correct recurring deficits in the balance of payments and to prevent losses of foreign exchange reserves. Anti-inflationary policy had taken the form chiefly of monetary controls, supplemented by fiscal or other restraints designed to prevent rising demand from upsetting internal or external stability. Although the controls had slowed down the rate of growth of the economy, the upward pressure on prices seemed in many cases to be accelerating rather than showing signs of abating, and

external instability, which in 1956 had seemed to be lessening, had been aggravated in 1957. The experience of the past two years posed the question how far it might be necessary to curb the rate of expansion of demand in order to stabilize prices and the balance of payments. A dynamic economy might generate inflation from the cost side; reliance on monetary and credit controls rested, however, on the belief that even cost inflation was made possible only through credit expansion adequate to support the increased requirements for the means of payment. Monetary controls, if applied stringently enough, could prevent or halt not only demand inflation but also wage inflation. But the long-term dangers involved in such restrictions must not be overlooked. A growing economy might require an increased money supply not only to finance higher wage rates but also to support an increasing volume of output. Governments would certainly wish to remain constantly alert to any risk to production, employment, investment and levels of living that might be incurred by increasing the severity of monetary restraints.

5. Deficit countries were seeking to restore equilibrium in the balance of payments by means of monetary controls and to release goods to foreign markets, but, if they were to compete successfully in export markets, it was important that such measures should not delay improvements in productivity. It should also be noted that when anti-inflationary measures were used to check internal price increases in countries with external deficits and surpluses alike, their efficacy was naturally reduced. In view of the significant international repercussions of anti-inflationary policies, systematic consultations between Governments might be extremely valuable.

6. In most of the under-developed countries, the problem of inflation was of much longer standing; it was a question not of "creeping" inflation, as in certain industrialized countries, but of "galloping" inflation. The current inflationary pressures seemed to be mainly endogenous in origin. In contrast to experience in earlier periods, when expanding demand in industrial countries had spread inflationary pressures to under-developed countries by raising world prices for primary products, there had been little evidence in the past year or two of such pressures on export markets. The international impact of inflationary pressures had thus been attributable not so much to expanding export earnings as to rising import costs. The resulting deterioration in the terms of trade was certainly of major significance for economic development, but did not appear to rank as high as internal pressures as a factor leading to inflation. The fundamental problem was to maintain economic balance while the rate of growth was being accelerated, to achieve a balance between savings and investments, and to balance competing claims in determining the direction of investment, a particularly difficult task in the under-devel-

oped countries whose economies lacked flexibility and possessed little in the way of reserves.

7. That aspect of the problem of international economic inter-relationships bore closely on one of the main areas of responsibility of the United Nations. No proper balance in world economic growth could be achieved until some progress had been made in tackling the problem of the gap between the two segments of the world's economy.

8. The complaint had often been made that the United Nations endlessly discussed the same issues and that nothing tangible was ever accomplished. Some of the themes on which he had touched might seem only too familiar to members of the Committee. He hoped that as a result of the debates in the Economic and Social Council and in the Second Committee, everyone would be much better informed on the nature of the situation. He had stressed the importance of consultations between Governments; he would also like to underline the value of public debate. In fact, the discussion of economic problems in the United Nations could contribute to a better mutual understanding of each country's individual problems and be a first step towards that economic progress which all desired. Such discussion would make it possible some day to break the vicious circle of poverty which characterized the underdeveloped countries.^{1/}

9. Mr. JUDD (United States of America) commended the officers and secretariat of the Economic and Social Council on the comprehensive report (A/3613), which recorded the work of the Council and its subordinate bodies during the year in pursuit of the objectives of an expanding world economy, better living conditions for all and closer understanding among peoples, the achievement of which would, as the architects of the United Nations had realized, go far to reduce the danger of another global war.

10. The keynote of the discussion of the world economic situation at the Council's twenty-fourth session had been how to achieve maximum economic progress without financial instability. The persistent economic problem of the post-war years had proved to be one of enlarging productive facilities rather than of utilizing idle productive capacity. The demand for goods and services had been enormous and continuing and at the same time the aggressive attitudes of the Soviet Union and its failure to reduce its armaments significantly after the war had imposed heavy defence burdens on other nations. As a result, the aggregate demand in many countries had risen faster than production.

11. Despite record rates of savings in most countries, the supply of savings had failed to keep up with rising demands for investment and inflation was a world-wide phenomenon. While the risk in many countries was not inflation of the runaway type, inflation in the form of a creeping rise in prices and costs could just as effectively undermine the purchasing power of money and destroy the personal security of the people. Nevertheless, it was not enough simply to maintain a stable price level; the task of reconciling steady economic growth with monetary stability was one of the primary economic challenges of the times.

^{1/}The complete text of the statement made by the Under-Secretary for Economic and Social Affairs was circulated as document A/C.2/L.329.

Although the task was not easy, experience showed that high employment and price stability were compatible goals of economic policy in free market economies.

12. His Government had been gratified by the support given to the proposal he had submitted at the Council's twenty-fourth session for further study of the problem of inflation by the Secretary-General, and looked forward with interest to the Secretary-General's findings on the subject which he would include in the World Economic Survey for 1957, in accordance with Council resolution 654 D (XXIV).

13. The problem of checking inflation was especially difficult for countries striving for economic development out of a relatively low level of national income. It was sometimes assumed that a country could speed up its economic growth if it was willing to sacrifice financial stability, but the pace of development was limited by the real resources available, and the latter could not be increased by an inflationary policy. The real problem was how to expand the resources available for development.

14. In his own country, considerable gains had been made in the battle against inflation but it was not yet won. During 1956 gross private domestic investment had totalled \$67 billion and the total of personal and corporate savings had been only \$45 billion. The gap had been filled by the creation of additional bank credit which had resulted in a rise in interest rates and upward pressure on price levels. In that situation the United States Government was determined to continue its efforts to reduce inflationary pressure. At the same time it was prepared to adjust its economic policies aimed at promoting stable economic growth whenever changing circumstances required it.

15. High levels of international trade were an important factor in the economic strength of every country in the free world. No country could afford to attempt self-sufficiency and the foreign exchange earnings of under-developed countries were the most important source of financing the imports of goods and services needed for their economic development. For those reasons, the United States, as the world's leading international trader, was pleased that the Council was continuing to give active consideration to the problem of the expansion of international trade and had developed a comprehensive series of recommendations to Governments in that field. It was gratifying to note that the value of world trade had reached a record level in 1956 and that, despite the severe strains imposed by the Suez Canal crisis, no major industrial nation had found it necessary on that account to restore the trade restrictions which had been considerably relaxed over the past decade. The part played by the International Monetary Fund in that respect was well known. Nevertheless, international trade was not yet making its full contribution to production, employment and income and continued co-operation was necessary between all nations interested in expanding international trade as a means of improving levels of living. The United States believed that it could best contribute to steadily expanding international trade by maintaining the vigour and growth of its own economy. A basic objective of its foreign economic policy would continue to be the lowering, on a mutual basis, of unjustifiable barriers to trade so that its benefits would be shared by all countries interested in trade

as a means of improving the standard of living of their peoples, and it would continue to consult with other countries on measures to promote international trade.

16. With regard to inter-governmental consultation on economic problems, his Government looked forward with interest to the report by the Secretary-General on the subject and to the comments of Governments requested by the Council in resolution 654 E (XXIV). While the provision of machinery for inter-governmental consultation would not necessarily lead to the speedy solution of the world's complex economic problems, a significant contribution would be made to international understanding and co-operation if nations learned to view their interests from a viewpoint wider than a purely national one. Failure to make rapid progress with respect to the economic problems facing the world understandably gave rise to impatience and a search for new mechanisms to deal with them. However, the Committee should recall the plea of Brazil in the Economic and Social Council to lighten the load on small countries of so many international meetings. The United Nations and other bodies such as the specialized agencies and GATT already provided machinery for the consideration of international economic problems. His Government, for its part, would continue its efforts to make this existing machinery more effective.

17. Another important question was the economic application of atomic energy. The importance for economic development of adequate supplies of energy at reasonable prices was universally recognized. The Secretary-General's report on the application of atomic energy to the generation of electric power and other industrial and agricultural purposes (E/3005)^{2/} had been very useful and the Council's decision at its twenty-fourth session that the Secretary-General should continue to report on the relationship between atomic, conventional and other sources of energy to economic development was to be welcomed. There was no need to emphasize the importance his Government attached to the development of atomic energy for peaceful purposes both in the United States and in other countries; its policy would continue to be to co-operate with like-minded countries in order to bring the atom's potential for good use to every part of the world. The fact that the International Atomic Energy Agency, the creation of which was first suggested by President Eisenhower, was about to become a going concern was an encouraging example of how the Members of the United Nations could work together to make the world a better place for all.

18. Mr. GARCIA ARIAS (Argentina), commenting on chapter II of the Council's report, said that, as the report noted, the causes of inflation in the more developed countries were the excess of investment demand over the limited resources available, pressures from the cost side and bottle-neck limitations. However, in the countries in process of development, an additional cause of inflation was the decline in the prices of the capital goods they had to import. The increase in consumption resulting from the natural increase in population was a further factor.

19. Some countries had taken anti-inflationary measures at the national or even regional level but the

problem was international in character and such measures were of relative value only. Various remedies had been suggested, including standard changes in the economies of the primary producing countries but such measures would take too long, especially in the absence of a determined attempt to tackle such problems as the relationship between primary commodity prices and the prices of manufactured goods.

20. The Council had also considered the problem of the orderly disposal of surpluses of primary commodities and had underlined the disastrous effects of unregulated surplus disposal on the economies of the primary producing countries. It was essential that primary exporting countries and countries in possession of surpluses should take concerted measures to prevent the disruption of normal commodity markets. The recent Economic Conference of the Organization of American States at Buenos Aires in September 1957 had adopted a resolution (XXXII) calling for effective consultations on surplus disposal problems^{3/}, and his delegation hoped that consideration would be given in the course of the session to the implementation of the various international resolutions and recommendations on the subject.

21. With regard to questions of economic development, his delegation believed that the United Nations could not afford merely to analyse the problem; it should establish international machinery to provide concrete solutions and to accelerate the preparatory process. Argentina had therefore supported the proposal to establish a Special United Nations Fund for Economic Development and had suggested preliminary measures on a smaller scale which would furnish economic assistance and provide experience that would be valuable in establishing the Fund itself.

22. In that connexion, reference should also be made to the importance of the flow of private capital to the under-developed countries. As the Council's report showed, the position in that respect was still unsatisfactory in some countries. One cause of the unsatisfactory position was the fall in primary commodity prices which automatically affected the economies of the under-developed countries. In that connexion the views expressed at the recent meeting of the Governors of the International Monetary Fund deserved attention.

23. The report also contained useful guidance in such practical matters as housing and agricultural co-operatives. In view of the world housing shortage, technical assistance in the techniques of co-operative building was urgently needed. Resolution XXXIX of the Economic Conference of the Organization of American States referred to the problem.^{4/} In the field of agriculture the Argentine Government had long followed a co-operative policy on the lines recommended in the Council's report. The production of primary commodities was considerably reduced through lack of proper technical assistance. Additional technical assistance was needed in all phases of agriculture. The Council's recommendations and findings would help to guide the policy of international financing agencies.

^{3/}See *El Mercado de Valores*, Nacional Financiera, S.A. Año XVII, Núm. 36, 9 September 1957, Mexico, p. 434.

^{4/}*Ibid.* page 437.

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

24. The report also dealt with the establishment of the European Common Market, a topic of great interest to Argentina, and mentioned the studies recently initiated by the Economic Commission for Latin America regarding a Latin American regional market. That matter had also been discussed by the Buenos Aires Economic Conference. The work of the regional commissions was of great value both to countries in the regions concerned and to the world as a whole. The Council and Member States as a whole should do everything in their power to support the work of the regional commissions.

25. Mr. HAGIWARA (Japan) said that the report and discussions of the Economic and Social Council showed clearly that in many countries economic expansion had led to an increase in the imports of raw materials and capital goods thus reducing their gold and dollar reserves. It was only by adopting financial measures to discourage expansion that they had succeeded in maintaining their economic equilibrium.

26. Such trends in the industrialized countries and the increase in the trade deficit of many under-developed countries, especially in Asia, had led to serious shortages of foreign exchange during the last quarter of 1956 and in 1957. Between 1952 and 1956 the growth of dollar reserves in countries other than the United States had permitted an expansion of trade and the relaxation of trade restrictions in many countries. However, the trend had been reversed in the last quarter of 1956 and the world economic situation might become alarming if effective measures were not taken rapidly by all the countries concerned.

27. His delegation had no panacea to suggest but felt that the following orthodox remedies might be applied: increased private investment by countries having large gold reserves; additional financial assistance to the under-developed countries by international organizations or under bilateral agreements; and a greater volume of trade, particularly with the hard currency countries. International investment in the private sector had increased during 1956 but not sufficiently to achieve financial equilibrium. Although much had been done in the field of economic assistance, efforts must be renewed, for the gap between the living standards in the developed and under-developed countries continued to increase.

28. The ultimate and most important means of preventing a worsening of the monetary situation was the expansion of international trade. So long as the soft currency countries could not increase their exports to hard currency countries, the monetary disequilibrium would persist and currency convertibility and free trade would never become a reality. It was again necessary to appeal to the generosity of the hard currency countries to do everything in their power to increase trade, particularly by removing artificial barriers. Of course, there were real difficulties in every country and no country was immune from protectionist pressure. Nevertheless, it was important to keep faith in the benefits of free trade alive.

29. The liberalization of trade and the reduction of customs barriers could not be accomplished simply as a result of the goodwill of all the countries concerned. Multilateral and bilateral negotiations were needed and suitable machinery for conducting them. As a long-term effort was needed, a permanent organization was obviously preferable to a large-scale

ad hoc conference. His delegation therefore endorsed Council resolution 654 A (XXIV) of 30 July 1957. The idea of new international machinery for trade co-operation was the result of long experience acquired by GATT. His delegation hoped that hesitation on the part of some of the great trading countries would not unduly delay or prevent the establishment of the Organization for Trade Co-operation. The General Assembly should reaffirm the need for the establishment of the Organization as soon as possible and recommend that interested countries should ratify the agreement, which had been signed almost three years ago.

30. The agreement was based on faith in the expansion of international trade through free competition and non-discrimination. The guiding principles for international trade should be: freedom of trade regardless of political considerations; unconditional application of the most-favoured-nation system; free trade without arbitrary interference by government authorities; elimination of artificial and discriminatory tariffs or quotas; abandonment of bilateral bartering; the development of multilateral trade; free competition without unfair practices; and the expansion of markets without harming the interests of existing industries in importing countries.

31. Those principles did not preclude the establishment of customs unions or free trade areas, provided the latter did not result in narrow regional protectionism or preferential treatment for some countries and discrimination against others. With those considerations in mind, his Government was following with interest the establishment of the European Common Market and free trade area, the more so as some European countries refused to apply the principles mentioned in their dealings with Japan. It was perhaps too soon to say whether the Common Market and free trade area would be a step towards freer international inter-regional trade or not. It was clear, however, that the provisions of the common market treaty dealing with the overseas territories of European countries did not establish a customs union, but provided for an increase in preferential treatment.

32. While his delegation welcomed the proposal from the United States that the 1957 World Economic Survey should deal specifically with inflation, it considered that the effects of disarmament on the world economy should also be considered. Although a reduction in armament expenditures would free resources for economic and social development, disarmament, particularly in its initial stages, would also create a number of problems in the economic field, including the conversion of armaments industries, the reallocation of labour released from military service and armaments production and the utilization for non-military purposes of certain raw materials.

33. A study might usefully be undertaken on the basis of the partial disarmament plan discussed by the Subcommittee on Disarmament, on the assumption that it would be carried out in 1958. Furthermore, the annual Survey of economic prospects should anticipate both possible contingencies, i.e., the success or failure of disarmament. The economic effects of disarmament should be taken into consideration, including the reallocation of fissionable materials to peaceful uses. He would welcome the Under-Secretary's views on that point.

34. Mr. CHAUVET (Haiti) said that the work of the Second Committee had proved that people should extend to each other mutual economic and financial assistance; that prosperity had to be shared; that under-developed countries, if helped to develop, safeguarded the freedom and security of the world; that prolonged poverty of the under-developed countries would be prejudicial to the developed countries; that the purchasing power of under-developed countries should be increased so that they could purchase adequate supplies from the industrialized countries; that human poverty was among the causes of war and that the only real protection against political insecurity was material security.

35. The under-developed countries were determined that the Special United Nations Fund for Economic Development (SUNFED) should not be still-born, and would vigorously renew their appeals for its establishment. They cherished the hope that part of the savings from eventual disarmament would be channelled to SUNFED. He regretted the failure to consider his suggestion that countries engaging in the arms race should voluntarily allocate to SUNFED 3 per cent of the funds they spent on armaments. The opposition to SUNFED had created more problems than it had solved and had given rise to new apprehensions. Pending the establishment of SUNFED, he hoped that the United States, whose generosity towards the under-developed

countries had been unequalled, would find a compromise solution.

36. An international agreement for the stabilization of the prices of raw materials should be sought. In some under-developed countries farmers were encouraged to increase production, but no programmes were planned for the disposal of their surplus harvests. If the under-developed countries were to raise their level of living, they would have to be assured of a good market price for their products, means of transport to ship them, and the lowering of customs barriers. An international conference was needed in order to reach agreement on those points. It was futile to plan the economic development of under-developed countries if their export markets were uncertain. When the prices of raw materials fell, the under-developed countries were unable to buy capital goods and import necessities. As their population was steadily increasing, the level of living dropped even further.

37. The relation between the needs and resources of all the under-developed countries would come into true focus if a complete economic survey of each country were made on the basis of accurate and impartial statistics. Demographic trends in the under-developed countries should also be carefully studied in relation to an inventory of their resources.

The meeting rose at 4.55 p.m.