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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. VOYATZIS (Greece) said that the world's economic problems would probably not be solved until an effective procedure had been established for settling the political differences separating the States. The situation could, however, be appreciably improved by encouraging international co-operation and developing the economic potential of the under-developed countries. For that purpose, the assistance of the industrialized countries with high national incomes was indispensable. Besides, owing to the interdependence of the different economies, the developed countries would, by helping the rest of the world, definitely be counter-acting the effects of the creeping inflation which were so strongly felt at the moment. In that way they would secure the new markets which they needed and which would make further expansion possible.

2. The first necessary step was to establish the Special United Nations Fund for Economic Development and to make it function as soon as possible. Secondly, the Governments and bodies concerned should encourage and guarantee investments of private capital in the various under-developed countries. Thirdly, the industrial countries should consider seriously the possibility of reducing their military expenditures, which were a heavy drain on their budgets. In that connexion, he approved the observations of the Executive Secretary of the Economic Commission for Europe as summarized in paragraph 86 of the report of the Economic and Social Council (A/3613).

3. Referring to conditions in his own country he said that Greece's economic recovery after the last two wars had been made possible, to a large extent, by the generous assistance of the United States of America. The monetary and budgetary measures taken by the Greek Government had produced a relative stability, and it had been possible to undertake a programme of economic development. But the national income remained very low, while the population was growing steadily. He pointed out, however, that the exploitation of the country's economic potentialities, especially its mineral resources, might very quickly increase

national income considerably, provided that Greece could count upon international co-operation and receive the necessary capital and capital goods.

4. In conclusion, he said that economic problems would not be solved until all peoples were politically and economically emancipated and could work productively with all the necessary means. In a world transformed by technological progress what was needed was action to ensure the well-being of all mankind. The accomplishment of that purpose was the worthy and the proper mission of the United Nations.

5. Mrs. GINOR (Israel) was gratified to note that the World Economic Survey 1956 (E/2982) and the regional surveys had analysed more thoroughly than the surveys of previous years the problems accompanying economic growth, including the problem of inflation. Many Governments had been reluctant to use fiscal policy to combat inflation and had preferred to use monetary measures, the effect of which, unfortunately, was to increase unemployment and reduce production. It had become more and more evident that effective restraint of inflationary pressures called for a consistent over-all economic policy which combined fiscal and monetary measures with an adequate wages, employment and investments policy, such as the Netherlands, for instance, had adopted. But such a policy was difficult to carry out by democratic means, since it required a certain political maturity. In the main, in order to diminish the danger of inflation, the States had resigned themselves to curbing the rate of economic progress - which explained to some degree the decline in the rate of economic growth felt in 1956.

6. Whereas the economically advanced countries could afford to take that course, the under-developed countries had no such latitude, for if they were to maintain their standard of living they had to achieve an increase in production equal at least to their population increase. Not having sufficient resources of their own, the under-developed countries had looked to the economically advanced countries for loans and assistance. Yet, in spite of the generosity of economic assistance, it had to be admitted that the over-all flow of capital had not been towards the less-developed countries but between the economically advanced countries. Apart from the extractive industries, and in particular the petroleum industry, the undertakings in the under-developed regions did not apparently offer the necessary security and financial guarantees. On the other hand, the advance of automation and the peaceful utilization of atomic energy and other technical innovations had marked the opening of a new epoch of industrial development in the industrialized countries themselves. In those circumstances, if the capital needed for the development of the under-developed countries was to be found, a conscious concerted effort of all nations seemed necessary. Besides, the armaments race absorbed a considerable part of the world's re-

sources. In that connexion, she said the Second Committee should stress the fact that international co-operation in the economic field, and especially economic aid to the less-developed countries, would promote international understanding and peace and so might contribute to the achievement of disarmament.

7. Although for many countries capital imports were the only means of gaining the initial increase in production necessary to attain later economic growth out of their own savings, it was also true that the use of foreign capital for development purposes had its own problems. It might happen, for instance, that the economic structure created under those conditions might take on features which would not be in harmony with the needs of the economy after capital imports had ceased. A more searching analysis of the problem would help all the countries concerned - capital importing and capital exporting countries alike.

8. In Israel, inflation was still a serious problem, but, thanks to vigorous fiscal measures, to restrictions of credit and to the inflow of foreign capital, the situation had improved a great deal, particularly with respect to the integration of immigrants, who had doubled the original population of the State. Agricultural and industrial production had increased considerably. From 1949 to 1956, exports had more than tripled and the foreign trade balance deficit per head had declined by 35 per cent.

9. During that same period, however, Israel had had to divert part of its resources to defence purposes owing to the inimical attitude of its neighbours. The economic manifestation of that attitude was a boycott utterly opposed to the spirit of international co-operation advocated by the Committee. The members of the Arab League had set up a network of boycott offices, the central office being situated at Damascus. The Beirut boycott office had set itself two objectives; (a) to sabotage the industrialization of Israel; (b) to obstruct the export of Israel merchandise. To achieve those objectives, they resorted to the most diverse means: air blockade, blacklisting of ships destined to or on their way from Israel ports, pressure on Chambers of Commerce, diplomatic attempts, efforts directed at foreign companies, the sending of questionnaires to business firms in the Netherlands, the United Kingdom, the United States and other countries, with a view to obtaining particulars concerning the membership of Jews on company boards, the number of Jewish employees, and other data.

10. Israel considered the development of international trade and of good trade relations among all nations as most important. If it were possible to allay the fears of Governments and persuade them to rely more and more on international trade for the purpose of raising standards of living, then all countries would attain an economic interdependence which would be one of the surest guarantees of world peace. Her delegation hoped that the establishment of regional economic groups would lead to a better integration of world trade and not to the setting up of new trade barriers.

11. Mr. ZAIN (Indonesia) stated that though in the world as a whole economic expansion had continued and through production had increased in almost all the regions of the world, there was yet good reason to believe that the economic situation was not as healthy as it seemed. Firstly, the rate of expansion had every-

where decreased and, secondly, the development of the industrialized countries had not been matched by similar progress in the less favoured regions, where there had even been certain setbacks. That being so, it was not inconceivable that expansion would finally stop and give way to a recession, or even to a depression, from which the under-developed countries would suffer especially, for their economy was geared to the business cycle.

12. The economic expansion of recent years had generated higher incomes in the industrialized countries and, consequently, spending for consumption and investment had risen faster than productivity and savings. Prices, including the cost of labour, had soared and inflationary pressures seriously threatened the economy. Accordingly, the industrialized countries had to endeavour to restore the equilibrium between spending, on the one hand, and the volume of savings and the level of productivity on the other hand; they had to curb demand by reducing the volume of money. Some Governments had begun to apply a policy on those lines. Those measures would of course have the effect of reducing or postponing investments, of curtailing production and slowing economic expansion; but it was to be hoped that they would check inflation and would not result in deflation, the dire repercussions of which would be felt throughout the world. The success of the operation would be completely assured, if the great Powers reached agreement on disarmament, for in that event spending in a great many countries would decline considerably.

13. The industrialized countries, which were experiencing inflation as the accompaniment of economic expansion, probably now had a better understanding for the position of the under-developed countries whose task was even more difficult, for they had to build the social infrastructure necessary for the well-being of their populations and the economic infrastructure that would permit them to exploit their natural resources and to step up production. The needs of their peoples were growing at such a rate that the under-developed countries could not afford to proceed slowly and to be content with their scant resources. It was much more difficult for them than for the industrialized countries to restrict investments, to reduce internal consumption and to lower wages. Naturally, they had to fight inflation and to try to balance their economy, but that balance should never have to be obtained at the price of a setback. Hence the under-developed countries would have much greater difficulty than the industrialized countries in effecting an adjustment. In fact, while the disinflationary measures taken by the industrialized countries were bound to depress world demand for primary products, and, consequently, to reduce the export income of the under-developed countries, the prices of manufactured products and capital goods which the latter had to import would continue their upward trend so long as inflation was not checked. In that way, the balance of payments of the under-developed countries was being subjected to double pressure. Even if the economy of the industrialized countries should regain its stability, the under-developed countries would hardly benefit from the improvement, for they would continue to suffer from the instability of the prices of primary products, which paralysed all their attempts at economic development. He was glad to note that the necessity of international action was being generally recognized and that the Economic and Social

Council, at its twenty-fourth session, had dealt with the problem, which had been studied previously at the Asian-African Conference, Bandung, 1955. In spite of the establishment of the Commission on International Commodity Trade, no positive results had yet been obtained in that direction.

14. The under-developed countries were trying to insulate themselves from the harmful effects of those price fluctuations by means of structural changes in their economy, by the process of industrialization. Indonesia had drafted a five-year plan which it would try to finance by itself. Aware of the numerous factors hampering the development of the Under-developed countries and knowing how sorely they needed financial and technical aid, he said it was regrettable that the establishment of the Special Fund for Economic Development (SUNFED), envisaged for so long, was as yet no more than a recurring item on the agenda of the Committee.

15. The under-developed countries now were threatened by another danger, the creation of the European common market, which might well lead to a fresh deterioration in their terms of trade. In that connexion, he said that the participation of Non-self-Governing Territories in the common market would tend to perpetuate the colonial régime; on behalf of his Government he protested against the inclusion of West Irian in the common market, for it was a territory whose future was still to be discussed in the General Assembly.

16. In theory the under-developed countries could not but benefit from an increase in the economic activity of the industrialized countries, for the demand for raw materials could be stimulated, and they hoped to be able one day to say that the expansion of production in the six interested countries had brought benefits in the form of lower costs, and consequently lower prices, of manufactured goods. But the existence of preferential tariffs that would be applied to the products of the under-developed territories included in the free trade area would debar the under-developed countries outside that area from benefitting from the higher demand for primary products so long as demand had not increased very considerably. Similarly, the creation of the European Common Market would reduce the quantity of goods and services and the volume of capital which the six associated countries would be able to furnish to the under-developed countries. The creation of the free trade area would, of course, enable each of the participating countries to share the benefits of the system with its neighbours. But surely, under existing conditions, all the countries in the world were neighbours. The dangers threatening the under-developed countries could probably be avoided if those countries could discuss their problems with the signatories of the Treaty establishing the European Economic Community. He suggested that resolution 645 E (XXIV) of the Economic and Social Council on international consultation on world economic conditions might be applied in the particular situation. That resolution should permit the Member States to meet and examine together, within the framework of the United Nations, the special problems of the under-developed countries, and so to understand them better and to measure their seriousness. In that way all countries would be able to prepare a splendid future for their peoples and ensure to all an equal share of the increasing wealth of the earth.

17. Mr. DUPRAZ (France) said that the general debate had made it clear that all countries had common prob-

lems to solve, a realization which should encourage the members of the Committee to show more impartiality and reticence than ever. In his statement to the Committee (454th meeting), Mr. de Seynes, the Under-Secretary for Economic and Social Affairs had said that the United Nations was sometimes deprecatingly described as only a debating society which discussed the same issues endlessly without ever accomplishing anything tangible. And in the 700th plenary meeting, Mr. Georges-Picot, Chairman of the French delegation, had regretted that the General Assembly had become an arena where opposing ideas clashed instead of a place where common solutions to problems were sought. But that would continue to be the case for a long time to come unless an attempt were made to define and limit the General Assembly's role. The Second Committee should therefore eschew controversy and adopt a realistic approach to the problems that Mr. de Seynes had outlined in his brilliant review of the world economic situation. The Committee should follow the example of the Economic and Social Council and its regional commissions which were less academic and whose objectives and ambitions were more modest.

18. In the course of the debate certain speakers had not confined themselves to strictly technical considerations. For political reasons they had been only too ready to disclaim responsibility. It was wrong to attribute all economic ills to defence expenditure alone or to regard certain economic groups such as the European Common Market as the harbingers of future disputes. The European Coal and Steel Community, the Organization for European Economic Co-operation and other similar institutions, which had produced positive results, could not be criticized except on non-scientific grounds. The idea of an economic community should be distinguished from that of opposing "blocs"; the latter tended to mistrust any interpenetration, whereas economic communities, as the term implied, facilitated the evaluation and common solution of common problems. Moreover, their geography did not necessarily coincide with political geography. The realization of that fact would so justify a great advance.

19. From the reports of the Economic and Social Council and of the regional commissions, and from Mr. de Seynes' statement one could gather that the world was afflicted with the common disease of inflation. The rate of economic growth had slackened everywhere and was tending to become even slower. The remedies applied in the past had not proved very effective. All countries were faced with the same threats and the same needs, but they all disclaimed responsibility on various pretexts, leaving the under-developed countries to confront their serious problems unaided. At that juncture, action at the national level alone could not be more than a palliative, for what the world was experiencing was not a cyclical phenomenon but a crisis of adjustment requiring a great deal of patience and mutual comprehension. The under-developed countries could hardly satisfy their essential needs and at the same time assimilate the effects of accelerated expansion. And the industrialized countries had come to perceive that they had insufficiently equipped areas and that fresh planning was needed. All those unsatisfied needs had social repercussions; they inflamed national feeling and caused recessions. France had long been fully conscious of those needs. It realized that the situation called for moderation on the part of all coun-

tries, for what he would like to describe as the systematic demobilization of rivalries. In his opinion, the proposals of the USSR delegation were over-ambitious and did not coincide with the more restrained and no doubt more practical views of the French delegation.

20. Three important lessons could be learnt from the report of the Economic and Social Council; first, the world was continuing to make appreciable progress in the economic field; secondly, in spite of improvements, there remained a number of imbalances which threatened all economies, whatever their system or the stage of their development; finally, a number of countries which had come to be described, arbitrarily and often inaccurately, as "under-developed countries", had to contend with special difficulties.

21. Since the Second World War, the world had made swift and constant progress. Year by year the industrialized countries had increased their output while the under-developed countries had been laying the foundations of their economy. International trade had expanded, both in terms of value and in terms of volume, and rapid strides had been made towards the establishment of a less restrictive and genuinely multilateral system of trade and payments. The United Nations had set up machinery for economic co-operation; the fact that it had not always been successful in working out solutions was no reason for experimenting with new methods of consultation. To abandon the machinery set up after the Second World War would be a retrograde move, for the United Nations provided the framework for the continuing action which was necessary for the solution of international problems.

22. The imbalances which affected the world economy were partly attributable to the circumstance that in many countries imports had risen faster than production. That had led to a reduction in monetary reserves, already very low because of the standing trade deficit that most countries had with the United States. Moreover, although in most cases savings had increased, they had still not been sufficient to meet the demand for capital for investment and expansion. Many Governments had consequently been led to remedy the situation by means of bank loans, which had created inflationary pressures. The counter-inflationary action taken had fortunately been monetary and fiscal rather than trade measures, but they had not been adequate to check inflation; that was still going on, while the prices of raw materials were still falling, although there had been no speculation or hoarding. Given these circumstances, the question was to find the most effective way of dealing with an inflation which did not appear to be of the orthodox type. At present every nation, eager to raise its standard of living, was apt to increase consumption at the expense of savings. In any case, a policy of austerity could only be applied within certain limits, which varied according to the political or social situation and could not be exceeded without causing reactions that were the more dangerous, the more critical the economic situation. The only solution was for the creditor countries to relax their restrictions on imports and to encourage export of capital. He was happy to acknowledge the very important part played by the International Monetary Fund, which by making foreign currency available to its members had to a great extent enabled them to stabilize their economies and protect their currencies from the effects of speculation.

23. In the under-developed countries the difficulties created by inflation were increased by such special problems as the unstable supply and demand for raw materials. The period of the Korean war had been relatively favourable for the countries producing primary commodities - in 1952, for example, France had had to buy copper at double the official rate; subsequently, however, commodity prices had begun to decline and were still falling. France, which was convinced that any excessive price fluctuations were harmful to the common interest, wished to reaffirm its support for any efforts made within the United Nations or elsewhere to solve the problem. France had taken part in the work of the Commission on International Commodity Trade ever since its inception and had always encouraged other States to join in the work of that useful body.

24. A second difficulty hampering the under-developed countries was the chronic inadequacy of capital investment. The development of trade relations alone could not be the answer, for if it was not accompanied by other measures it was liable to lead to the creation of temporary subsidized markets. It was necessary at the same time to organize savings and to draw up sensible development programmes. Nevertheless the under-developed countries would have to be careful not to go ahead too fast; they should not overlook the fact that an effective policy of expansion must inevitably change the traditional pattern of investments and would therefore bring about imbalances that could not be redressed until a certain level of production had been reached. He would revert to that point when the Committee discussed specifically the economic development of under-developed countries.

25. He went on to pay a tribute to the Secretary-General's painstaking approach to the great economic problems and to the high quality of the reports and studies produced by the United Nations. He attached particular importance to the study on the peaceful uses of atomic energy (E/3005)^{1/} and the report on other unconventional sources of power (E/2997).^{2/} His delegation felt that the Secretary-General could be entrusted with the organization of whatever international conferences the Council might recommend on the subject [resolution 653 (XXIV)].

26. The United Nations Secretariat had been greatly helped in its work by the regional economic commissions, which tended to become more and more, as was proper, clearing houses of information and knowledge. Although the work of the regional commissions was still at times rather too academic, the co-operation of countries having a direct interest in the economic and social development of a given region was of capital importance both for those countries and for the entire world community. The regional commissions should, however, be careful not to lose their true character or to try to take the place of bodies whose activities were global, such as the Council or the Second Committee. His delegation was therefore opposed to the Czechoslovakian proposal, at the 458th meeting, that countries having no direct link with the region concerned should be allowed to take part in the discussions of the regional economic commissions.

27. On the subject of the proposal to establish the European Common Market, he said that the aims of the

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

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

European Economic Community had not always been fully understood. There was fear in some quarters that Europe would retire into itself by reducing its trade with the rest of the world and developing the wealth of the African continent. On the contrary, Europe was trying to adapt its economy to present needs in order to develop its external trade and to be able to offer technical co-operation to any country that wanted it. He would like to allay the fears of those who thought that the establishment of a European Common Market would make it more difficult to export to the member countries: the fact was that it was the major importers of the future Community which imposed the highest duties and since the Community would adopt the level of customs duties corresponding to the arithmetic mean of the various present duties the general effect would be to lower customs rates, which would make trade with the rest of the world easier. The extension of the Common Market to include part of Africa had excited the suspicion that Europe was exercising an economic control which might lead to a strengthening of its political sway; the political evolution taking place in the countries concerned, however, was a clear contradiction of any such assertion. Neither France nor any of its partners would object to an international discussion of their proposal. The technical provisions of the Treaty establishing the European Economic Community were to be studied in the near future by GATT. In addition, the studies which the United Nations made each year of the economic situation at both the regional and the international level would make it possible to keep a close watch on the effects of the Common Market.

28. He had noted the objective attitude of most members of the Committee and he wished to assure them that his delegation was animated with the same spirit and would always be ready to discuss common problems with the proper restraint and impartiality.

29. In conclusion, and without wishing to touch on the question of the international financing of economic development, which was the subject of another item on the agenda, he stated that France would spare no effort to respond, in that sphere as in others, to the call for international solidarity and would give sympathetic consideration to the proposal to establish a Special United Nations Fund for Economic Development to supplement the action of the International Bank for Reconstruction and Development and the International Monetary Fund.

30. Mr. DENICHENKO (Byelorussian Soviet Socialist Republic) said that, while his delegation was glad to see that the Economic and Social Council and the other economic bodies of the United Nations were trying to promote international economic co-operation, it nevertheless regretted that all the possibilities had not yet been exploited and that much remained to be done. It was the duty of the Second Committee to bring to light all the existing deficiencies and to take the necessary steps to ensure that the United Nations redoubled its efforts in that field.

31. Up to the present the United Nations had underestimated the pernicious influence which the militarization of an economy exerted on the economic development and the position of workers. Similarly, not enough stress had been laid on the abnormal conditions in which international trade was being carried on as a result of the discriminatory measures adopted by certain countries of Western Europe. Lastly, the World

Economic Survey was characterized by prejudice against the socialist countries.

32. The delegation of the Byelorussian Soviet Socialist Republic would support all measures designed to encourage the development of international trade on a basis of equality and mutual benefit, without any discrimination. It thought that an initial step in that direction would be to ensure that the prices of raw materials were fixed on the basis of rational economic principles and no longer depended on the will of the great monopolies which dominated the markets; such a measure would make it possible to accelerate the development of the under-developed countries. Likewise, as the Council's report pointed out, it was abnormal that the maintenance of equilibrium in the dollar balance of the rest of the world had continued to depend on special disbursements by the United States of America, that is to say on its military expenditure. It would be advisable to establish an independent and universal body which would handle all questions concerning international trade and payments and which might in that way encourage co-operation in the field of commerce.

33. Another wise measure for the development of international economic co-operation would be to extend the field of activity of the regional economic commissions. The work undertaken in the Economic Commission for Europe for the purpose of concluding an all-European agreement on economic co-operation should be continued, since it was for the benefit of all the countries of Europe. That was not true of the European Common Market and the European Atomic Energy Community, which, on the contrary, were placing obstacles in the way of European economic co-operation and threatening to restrict trade between the six signatory countries of the Treaty establishing the Community, and other parts of the world. Moreover, the European Common Market tended to subordinate the interests of the participating countries to those of the North Atlantic Treaty Organization and to the militaristic interests of Western Germany. It was conceivable that the various problems which arose in the different economic regions of the world would be solved more easily if, as the representative of Czechoslovakia had suggested, each of the regional economic commissions could invite representatives of the non-member countries of their particular region to take part in their work in an advisory capacity. That would help to facilitate and co-ordinate the work of the regional economic commissions and encourage a useful exchange of views.

34. The delegation of the Byelorussian Soviet Socialist Republic would continue to support all measures calculated to accelerate the economic development of the under-developed countries. For example, it was participating in the Expanded Programme of Technical Assistance, to which it had just contributed one million roubles, or \$250,000 for 1958, and it was in favour of the immediate establishment of SUNFED. There was no doubt that the position of the under-developed countries was becoming more serious, as a result of both the increase in the prices of imports and the decline in the prices of exports. It would be an excellent idea to convene an international conference to study the problems arising in the under-developed countries. Similarly the proposal of the Bulgarian representative (459th meeting) that a conference of experts should prepare a special report for the twenty-sixth session of the Economic and Social Council and the thirteenth session of

the General Assembly on the possibility of establishing closer economic ties between countries would help to promote progress in international economic co-operation. In view of the experience it had gained, the United Nations would also be in a position to draft the statement of economic principles which the representative of Romania had recommended (455th meeting).

35. The surveys prepared by the United Nations did not give an accurate picture of the world economic situation, for they lacked objectivity with respect to the economy of the socialist countries. In Byelorussia, for example, the plan for 1956 had been fulfilled 102 per cent, which amounted to an increase of 13 per cent over 1955. Production had increased in all branches and it could not only satisfy domestic needs but could also assist other countries, such as Syria, Egypt, Albania etc. There were 342,000 more hectares of land under cultivation than in 1953 and the number of livestock had increased considerably. The general increase in both industrial and agricultural production had been even greater during the first half of 1957.

36. In the western countries, on the contrary, production had slowed down in all fields and Governments found themselves obliged to reduce the investments intended for civilian production in order to increase those allocated to military production. The military budget of the United States of America had reached

\$43,000 million in 1957. As a result, the western countries were now contending with inflation and their standard of living was declining. Many industries were no longer working at full capacity, unemployment was beginning to appear and the gold reserves of those countries were dwindling. The United Nations should concern itself with all those disturbing phenomena and endeavour to work out practical means for eliminating them. It was obvious that it could only succeed by developing and increasing international economic co-operation, a task in which the delegation of the Byelorussian Soviet Socialist Republic was fully prepared to assist.

37. Mr. BANNIER (Netherlands), availing himself of the right of reply provided for in rule 116 of the rules of procedure, said that Indonesia could not object to the inclusion of Netherlands New Guinea in the European Common Market, since it was an integral part of the Kingdom of the Netherlands. If Netherlands New Guinea were kept outside the future European Community it would be deprived of the benefits of the funds which the authors of the Common Market intended to establish for the specific purpose of promoting the economic development of the territories associated with it.

The meeting rose at 1.15 p.m.