

UNITED NATIONS
GENERAL
ASSEMBLY



Distr.
RESTRICTED

A/CN.2/R.128
5 August 1958

ORIGINAL: ENGLISH



COMMITTEE ON CONTRIBUTIONS
Seventeenth session, 5 August 1958
New York

ASSESSMENT OF POLAND

The following communication has been addressed to the Chairman of the Committee on Contributions by the Permanent Representative of Poland to the United Nations and is submitted to the Committee for consideration:

"New York, 4 August 1958

Upon instructions of my Government I have the honour to ask you to place before the Committee on Contributions the request to lower the Polish percentage contribution to the United Nations' budget. The request is based on the economic situation existing in Poland, "capacity to pay" in foreign currencies as well as on her situation that developed in consequence of the heavy investment outlays which, in the course of the last several years, contributed to achieve the reconstruction of her economy of the extremely grave war damages.

..... I have the honour to ask you to distribute the text of the enclosed explanatory memorandum as a Committee's official document.

Please accept, Excellency, the assurances of my highest consideration.

(Signed) Jerzy Michalowski
Ambassador
Permanent Representative of Poland
to the United Nations."

EXPLANATORY MEMORANDUM

1. Although there is a rather general feeling that damages and losses resulted by the World War II are hardly to be regarded after thirteen years as a just basis for claiming reduction of the scale of assessment in the United Nations budget, nevertheless, this argument should not be applied in the case of Poland. It should be taken into account that it is this country which during the last World War suffered proportionately the greatest damages and losses. Irrecoverable losses in human and material resources shall for many years in prospect still have unfavourable impact on the development of Polish economy. Just for the sake of remembrance it seems proper to quote a few figures as an example showing the enormous bulk of these damages and losses: 6 million people were lost, one third of all industrial buildings completely devastated. The destruction in housing in central Poland reached 25 per cent, in Western Poland 40 per cent, in Warsaw 75 per cent, in Wroclaw 65 per cent, in Gdansk 55 per cent. The losses in agriculture and forestry were also tremendous (Bulletin of Economic Commission for Europe, November 1957).

2. These enormous war destructions caused that during the post-war period the greatest part of the Polish national income ought to be spent for reconstruction purposes, instead of contributing to the raise of standard of living of the population and to the economic development. The first post-war years were characterized by great efforts toward industrialization. During the last several years the aim of the Polish Government constituted in both reconstruction of the above-mentioned damages and development of existing production capacities up to a level at which the very rapid population rise (over 1.9 per cent yearly) could be productively employed in the national economy. The consequence of this rapid development of industrial productive capacities was the creation of both external and internal disproportions which began, for the last 2 years, to exercise a considerable influence on the whole Polish economy. In particular, some disproportions occurred between the development of industry and agriculture, industrial capacity and supply of raw material, among different industries, and between the development of industrial capacity and the standard of living of the population.

These disproportions brought heavy burdens upon Poland's economy. Gradual liquidation of those abnormalities became subsequently imperative.

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3. The period of 1956-1958 is of particular importance for Poland's economy because it marks a turnover in the methods and management designated to stabilize and speed up the country's economy. Necessary and important steps have been undertaken by the Government in order to raise the standard of living of the population, the result of which was a 20 per cent rise in real wages in 1956 and 1957. It should be noted, however, that the rise of the living standard of the Polish people was achieved at the cost of a decrease in the percentage of the national income earmarked for investments.

The figures of the partition of national income given below show this development:

Year	Consumption in percentage of the national income	Accumulation
1949	84.4	15.6
1950	79.3	20.7
1951	79.7	20.3
1952	77.2	22.8
1953	72.1	27.9
1954	76.8	23.2
1955	77.8	22.2
1956	79.8	20.2
1957	78.7	21.3

This caused new moderate disequilibrium which occurred on the domestic market primarily as a result of the disproportions between different branches of industry as well as due to the inadequate growth of agriculture output. In 1957 the danger of inflation caused by the disproportions between demand and supply was hardly overcome and liquidated.

The Polish Government wishes to continue to raise the living standards of its people but it considers that continuation of it at the cost of further decrease in the investment could create new dangers for the whole national economy. Therefore it considers it necessary to seek other sources in order to overcome the existing difficulties.

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4. The policy designated to ensure a constant growth of the standard of living as well as the economic development of the country has to overcome many difficulties lying beyond the intentions of the Polish Government. Among these the balance of payments difficulties are of utmost concern. In 1953 the adverse balance terms of trade amounted to twelve million dollars, in 1956 to 37 million dollars, in 1957 to \$225 million. The statistical data available show that the balance of terms of trade is unfavourable also in 1958. The balance of payments has shown in 1957 a deficit of over 140 million dollars in its current transactions which had to be covered by sales of gold, the use of those rather restricted foreign currency reserves that have been amassed during previous years, as well as by new long-term and short-term credits. Those unavoidable steps, upon which the success of the whole new economic policy was and is still resting resulted in an exhaustion of the currency reserves, making it impossible to maintain such balance of payments' disequilibrium for the next future. However, an additional burden has come to increase the balance of payments difficulties in 1958 on account of the rapidly worsening Polish terms of trade. Export prices have fallen in 1957 and during the first six months of 1958 much more rapidly than import prices. An outstanding example of this trend can be shown in the export price of the main Polish export product - coal, the export price of which decreased in the course of 1957 by some 40 per cent. The possibilities of covering the present deficit by using gold reserves are non-existent, and short-term commercial as well as banking credits not only cannot be increased further but have to be reduced.

It was possible to keep the balance of payments at an equilibrium only due to the exchange earnings from services as well as to foreign loans. The latter constitute a considerable share in the Polish balance of payments. The aggregate amount of foreign loans received by Poland during the period end of 1956 and beginning of 1958 reached the level of \$420 million. This is more than the value of one third of Poland's imports in 1957. The loan transactions contributed toward the improvement of standard of living of the population. At the same time, however, they considerably weigh upon Poland's economy in terms of yearly liquidation payments and interest payments as well. In this situation every possible increase of the country's foreign currency sources, even the smallest one, may considerably improve its general economic picture.

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6. A tremendous wave of natural disasters unprecedented since many years (floods, hurricanes, hailstorms and fires) affected Poland's territory this year. It has been estimated that losses in the first six months resulting from these disasters amount to about 2 billion zloties. Later estimates have not yet been made, as the last disaster - a hurricane - occurred a few days ago. It is the State which is taking over the most considerable responsibilities in rendering assistance to the affected population.

The value of the activities in terms of money of the State Insurance Agency (PZU) covering the affected regions and people is fourfold higher than respectively in the whole of 1957.

7. By estimating the volume of national income which in Poland has a tendency of constant growth, the demographic factor has to be taken into account. Poland's rate of population growth being one of the highest in Europe constitutes an explanation to the effect that the growth of national income does not mean the proportional growth of per capita income. The increase of the population (over 0.5 million people in a country with 28 million population) creates a situation in which the actual given figures of national income never prove the real situation of the population.

It seems proper to note that in the 1950's the rate of birth was about 30 per cent. At the same time the demographic forecast for the next few years indicates the necessity of speeding up the programme of capital investments in the form of new factories, housing construction, social utilities which guarantee full employment and further growth of standard of living of the growing population.

Beginning with 1960 a considerable number of new additional labour force will enlarge the existing one. It has been estimated that some 600,000 will have to be employed every year starting from 1961. Should the high rate of population growth continue this would bring the total of Poland's population to about 37.5 million during the short period of fifteen years.

8. It has to be noted that a substantial rise of Poland's scale of assessment to the United Nations budget took place in the course of 1952-1955 as shown in the following table:

	<u>Scale of Assessment of Poland (in percentage)</u>	
1949	-	0.95
1951	-	1.05
1953	-	1.58
1955	-	1.73
1956	-	1.56
1957	-	1.52

It should be noted that the decrease of Poland's scale of assessment in 1956 and 1957 was due to the increase in the United Nations membership.

The official data available then which constituted the basis to determine Poland's scale of assessment could not and did not wholly reflect the complex picture and real situation of Poland's economy at that time. That created a considerable disproportion between Poland's real economic situation and its scale of assessment to the United Nations budget. Its sharp rise was due to a fallacious assumption that the relatively rapid (but not uniform) economic reconstruction that, indeed, took place during those years constitutes in itself a justification for new burdens placed on our foreign expenditure. The results of such an assumption are visible now. This increase lead to an improper situation in which assessments of countries well known of a considerably high standard of living of its population are lower than Poland's where the standard of living is considerably lower.

It is for these reasons that the reconsideration of Poland's scale of assessment to the United Nations budget appears justified.
