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President : Mr. C. W. A. SCHURMANN (Netherlands).

Present :

Representatives of the following States: Afghanistan, Brazil, Bulgaria, Chile, China, Costa Rica, Denmark, France, Japan, Netherlands, New Zealand, Poland, Spain, Sudan, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Venezuela.

Observers for the following Member States: Argentina, Australia, Belgium, Czechoslovakia, Ghana, Hungary, Indonesia, Israel, Italy, Mexico, Pakistan, Portugal, United Arab Republic.

Observers for the following non-member States: Federal Republic of Germany, Holy See.

Representatives of the following specialized agencies: International Labour Organisation, Food and Agriculture Organization of the United Nations, United Nations Educational, Scientific and Cultural Organization, International Civil Aviation Organization, International Bank for Reconstruction and Development, International Monetary Fund, World Health Organization.

The representative of the International Atomic Energy Agency.

AGENDA ITEMS 2 AND 4

World economic situation (E/3361, E/3379 and Corr.1 and Add.1-4, E/3384, E/3389 and Corr.1/Rev.1, E/3391 and Add.1, E/3394, E/3396; E/ECE/383 and Corr.1 and 2; E/CN.12/541 and Corr.1, E/CN.14/28 and Corr.2)

Economic development of under-developed countries (E/3369, E/3371 and Add.1, E/3381, E/3387 and Add.1, E/3393 and Add.1-3, E/3394, E/3395 and Add.1).

GENERAL DEBATE

1. The PRESIDENT invited the Council to consider items 2 and 4 of the agenda jointly.
2. The two subjects were intimately connected with the Council's task under the Charter of creating the conditions of stability and well-being necessary for peaceful and

friendly relations among nations. The importance of the subjects to the more developed as well as to the less developed part of the world was self-evident. Both parts of the world needed each other, and closer co-operation and more intensive exchange of persons, goods and services between the two had long been among the objectives of the Council. Their interdependence was aptly reflected in the decision to discuss the two items in a single debate, although each delegation would be entirely free to deal with the subject matter as it deemed fit.

3. A number of distinguished representatives of ministerial and ambassadorial rank were already present and others of similar rank were expected to be attending later in the session. Although in the past there had been isolated examples of ministers taking part in the work of the Council, there had been no attempt at an organized representation of such a high level. It was therefore a matter for satisfaction that more members of governments represented on the Council had come to Geneva on the occasion of the Council's thirtieth session in order to contribute to the most universal economic debate in the world. Their presence should serve to promote the harmonization of national action for the attainment of common ends.

4. For the purpose of the debate, it appeared essential that heads of delegations should have time and opportunity to meet and talk informally outside the meetings of the Council; the schedule of meetings had therefore been planned with that consideration in view.

5. The SECRETARY-GENERAL said that it was a great pleasure for him to have the opportunity to welcome heads of delegations to the thirtieth session of the Council. In suggesting a ministerial meeting within the framework of the Council¹ he had been moved by the feeling that, at the present important juncture in the economic development of the world, the hands of the Council should be strengthened to enable it more adequately to meet the requirements of the times in a world that was becoming increasingly interdependent. It had seemed to him necessary that ministers directly engaged in the evolving of their countries' policies should from time to time gather together and exchange comments on vital matters, both in private and in public, thus putting to their full use the unique opportunities for consultation offered by the Council as the only body in which representatives of all the different groupings met. Consultation of that kind had already proved its value in most of the other inter-governmental organizations, such as the various European agencies, the Colombo Plan and the inter-American sys-

¹ *Official Records of the Economic and Social Council, Resumed Twenty-eighth Session, Annexes, agenda item 25, document E/3311.*

tems, and in view of the vast scope of the responsibilities entrusted under the Charter to the Council, adoption by it of a similar practice seemed particularly desirable.

6. He had already set out in his written statement on the world economic situation and the economic development of under-developed countries (E/3394) the main problems in the economic and social fields of that time which in his opinion should engage the attention of the United Nations. He naturally hoped that the Council's deliberations would lead to an increased awareness of the services that the United Nations was in a strategic position to render and establish the groundwork for constructive action which in due course might be embodied in a bold economic programme.

7. The Council was meeting against the background of certain encouraging developments; a significant increase in the awareness of the importance of speedy economic development on a world-wide basis, especially for the advancement of well-being in the low-income countries; gratifying recognition of the fact that only in an expanding world economy could any one country achieve its maximum possibilities for growth; and, lastly, growing appreciation of the importance of pre-investment work — of a kind for which the United Nations had developed the machinery — designed to make capital available on a more effective basis and to open up new possibilities of outside financing for under-developed countries.

8. The United Nations and its organs were, and rightly so, in a continuous state of evolution under the pressure of developing needs and the guidance derived from experience. The Council's thirtieth session offered an important opportunity for examining the machinery for international co-operation designed to advance economic and social progress. While for many obvious reasons the organs and agencies within the United Nations family were eminently fitted for that work, it seemed clear that the best results would be achieved through harmonious co-operation between such organs and agencies working on a regional basis.

9. New efforts were being made among some of the major economic powers to consult among themselves and to co-ordinate their action in trade and assistance. If those efforts were not accompanied by determination to improve and intensify consultations within the wider framework of the United Nations organs, they would not achieve their maximum results and might even have deleterious effects. That was an added reason for giving immediate attention at the appropriate governmental level to the question of co-ordination he had mentioned.

10. The character and scope of the problems facing the Council were such that it was scarcely possible to aim in the course of a few days at conclusions crystallized in resolution form. Yet it might well be that recommendations of importance in certain fields could come out of the debate even if they could not be formulated until after the end of the ministerial phase.

11. In his written message (E/3394) he had alluded to the question of targets for United Nations activities under technical assistance and the Special Fund. He trusted the Council would address itself to that issue. His representative would make a more specific statement on his behalf after hearing the discussion — he himself was

unfortunately called back to New York immediately in order to take personal action on proposals for technical assistance to the Government of Congo in its current transitional phase. He would simply repeat that the United Nations occupied a key position in the fields of work covered by the two programmes and that the Organization should be given the means to realize their full potentialities in response to the urgent needs that were known to all. It was in the direct interest of all Member governments that such a response should be forthcoming and that use should be made of the best tools available for the work.

12. He personally, as well as his close collaborators, was looking forward with great hope and expectation to the possible outcome of the informal contacts among ministers. He hoped that the debate would constitute a new departure in the dramatically important task facing the world in the field of international economic policy.

13. Mr. LESECHKO (Union of Soviet Socialist Republics) stated that one of the most important tasks of the United Nations, laid down by the Charter itself, was to establish and develop international economic co-operation on a sound and mutually beneficial basis. That task was all the more important since, at that moment in history, life itself demanded that there should be peaceful coexistence and co-operation in matters of trade. The creative forces contributing to the development of economic ties would be all the stronger for being in conformity with the basic interests of the majority of the countries in the world. The Council's task was to promote the development of those forces despite the artificial obstacles with which some countries were trying to obstruct international economic relations.

14. At that time, when problems in economic relations between countries were steadily growing in importance, the economic organs of the United Nations, including the Council, the regional economic commissions and the specialized agencies, had a greater part to play than ever before. It was for that reason that the Soviet Union delegation thought it particularly important that a fresh impetus should be given to the Council's work.

15. The fact that the People's Republic of China was not yet represented in the Council was to be deplored. Its absence impaired the Council's authority and adversely affected its activities. Only a representative appointed by the Government of the People's Republic of China could legitimately represent China.

16. The agenda of the Council covered many important matters. A sound solution of the problems involved based on the constructive proposals and wishes of all the Council's members would substantially contribute to the expansion and strengthening of economic co-operation, which in turn would tend to ease international tension. The Soviet Union delegation, recognizing the need for general development of international economic co-operation and for better trade relations between all the countries of the world, irrespective of their social and economic systems, would, as in the past, give its support to realistic and constructive decisions.

17. The *World Economic Survey, 1959* (E/3361), which reviewed the past ten years and endeavoured to draw

conclusions from that survey and to define trends for the immediate future, might be of some assistance to the Council in its work. He would, however, point out that the *Survey* contained a number of errors and inaccuracies and even gave an incorrect interpretation of certain economic trends and policies, particularly in the part dealing with the socialist countries, or as the *Survey* called them, the centrally planned economies. It was a matter of great regret to the Soviet Union delegation that bias and lack of objectivity had prevented the authors from giving an accurate appraisal of the rapid development of productive strength in the Soviet Union. Nevertheless, the *Survey* contained comprehensive factual data on the basis of which the way towards a further development of sound economic co-operation might be found.

18. Three main tendencies could be discerned. Firstly, over the past ten years the economies of the industrialized capitalist countries had expanded to a certain extent, although interrupted at times by steep declines in production and trade. Secondly, the movement towards economic independence and more rapid industrialization in the less developed countries was being impeded by reduced activity in the capitalist countries, by the monocultural nature of their economies, by sharp fluctuations in the market price of export products and the unfavourable relationship between the prices of raw materials and those of finished products, and by lack of financial and other resources. The current trend towards economic improvement in those countries was accompanied by serious difficulties and imbalance in development. Thirdly, the socialist countries with their planned economies were showing a marked trend towards rapid and steady economic growth that would undoubtedly continue in the future.

19. Turning to the economic situation in his own country, he said that the year 1959 had shown outstanding achievements in all sectors of the Soviet economy and in the development of its productive strength. Industrial output during the year had risen by more than 11 per cent as compared with the planned rise of 7.7 per cent. More than 1,000 new big industrial undertakings had gone into production. The national income had risen by 8 per cent as compared with 1958 and was nearly double that of the year 1953. Despite bad weather, the grain yield had exceeded the average level of the five preceding years.

20. The planned target for industrial output in 1960 was 8.5 per cent above the 1959 level; steel production was expected to rise by 5 million tons, crude petroleum by 15 million tons, cement by about 7 million tons and electric power by 27,000 million kWh. The contention that the steep rise in heavy industry production in the USSR was being achieved at the expense of consumer goods was wholly inaccurate. The annual growth in the production of consumer goods in the Soviet Union was between 9 and 10 per cent, a rate of expansion unequalled by any western country.

21. The Soviet Union was continuing its consistent policy of increasing workers' wages and the income of collective farmers while at the same time reducing commodity prices. In the period from 1953 to 1959, the real income of workers and employees had risen by 45 per cent and that of agricultural workers by 64 per cent. In 1959 and

early 1960 state retail prices for a number of consumer goods had been reduced, the total reduction amounting to more than 11,000 million roubles a year.

22. In May 1960 the Supreme Soviet had decided to abolish taxes on the earnings of workers and employees and to complete the change to a 7-hour or 6-hour working day during 1960. Over 20 million workers and employees had already changed over to the new working day, with no corresponding fall in earnings; indeed, average wages in various sectors of the national economy had risen by 13 to 26 per cent in 1959 as compared with 1956. A vast programme of housing construction was being successfully carried out; the Soviet Union led the world in the number of housing units per thousand of the population constructed annually. It was also well ahead in the field of education. One in four of its citizens was engaged in studies of one kind or another and it accounted for one-fourth of all the books published in the world.

23. The vast projects for economic development laid down in the 1959-1965 plan, which was enthusiastically supported by the Soviet people as a whole, were expected to be fulfilled ahead of schedule.

24. In the light of those facts, it was hard to understand the distorted picture the *World Economic Survey, 1959*, gave of the nature and results of socialist economic planning. Allegations of disproportionate growth, unsatisfactory distribution of resources, agriculture lagging behind industry, inflationary pressure and so forth were groundless and could only be attributed to prejudice. The deliberate effort to speed up the growth of certain key sectors of the national economy created no disproportion; on the contrary, it helped to build up a balanced economy. If a strong agricultural machinery industry had not been established in the past, the Soviet Union would not have been able to develop agriculture at the current rate and the fact that prices in the USSR were dropping disproved any charge of inflation.

25. There could be no doubt that the measures taken in the Soviet Union in recent years to raise production had led to a rise in the population's consumption of goods. Moreover, it was noteworthy that the amount spent in 1959 on social insurance, pensions, free education and medical services and other benefits to the workers had been 2.5 times that of defence expenditure.

26. At the same time the Soviet Union was steadily broadening its economic relations with other countries as a means of speeding up its own development and of strengthening confidence and understanding among nations. The socialist countries were building up their economic relations on the principle of mutual help and friendly co-operation, but that did not hamper the development of trade with capitalist States, with many of which the Soviet Union already had long-term trade agreements. The important feature of those agreements was that they promoted reciprocal exchange in commodities, thus laying the basis for a stable expansion of trade for a number of years ahead. The current seven-year plan would enable the USSR to double its volume of foreign trade and it was ready to enter into trade relations with any country willing to adhere to the principles of equality, reciprocal benefit and non-discrimination.

27. The western policy directed towards the establishment of closed trade blocs discriminating against other countries was a source of great concern. The principles on which economic relations in such blocs were being developed could not but be harmful to international trade in general. He had in mind in particular the European Economic Community and the European Free Trade Area. Closed economic groupings of the kind frequently led to political isolation and other complications in relations between States. For that reason the Soviet Union had consistently opposed their establishment.

28. At the nineteenth meeting of the fifteenth session of the Economic Commission for Europe, the Soviet Union had declared itself ready to participate in the working out of principles to govern a new economic organization that was being discussed in the West. Its approach to the various problems of economic co-operation had been realistic and constructive and had been based on its wish to help in developing mutually advantageous relations between countries, irrespective of social and economic systems. In spite of those characteristics, some of the western countries had rejected the proposals on grounds that could hardly be regarded as convincing. The impression likely to be created was that one of the main purposes of the new organization would be to maintain the policy of economic segregation and competition between East and West.

29. The Soviet Union considered that the western policy of creating trade groups, such as the European common market, hampered the development of trade. The most-favoured-nation principle should be the basis for all economic relations; that principle had proved its worth in the past and it was still conducive to the development of trade. The Soviet Union observed that principle in all its trade relations, and hoped that other countries, irrespective of their adherence to one or another economic group, would strictly abide by their treaty obligations in that respect.

30. The Soviet Union was ready to enter into negotiations with the twenty states which were discussing the establishment of the new Organization for Economic Co-operation and Development with a view to seeking means of co-operation. It believed that such co-operation would constitute a definite step forward in the creation of a broad international trade organization.

31. Long-term trade agreements, introducing stability into trade relations, were an important means of creating a lasting basis for expansion of trade and economic ties. At the 1069th meeting held during the twenty-eighth session of the Council the Soviet Union delegation had described in detail the benefits and advantages attached to agreements of that kind and it was confident that the Council would give such measures its full support.

32. The Council should give urgent attention to the problem of the economic development of the less developed countries, including the question of creating appropriate conditions for the optimum utilization of labour throughout the world. Maintenance of the obsolete pattern whereby industrialized western countries produced the manufactured goods and the less developed countries supplied the requisite raw materials and foodstuffs was

plainly unwarranted and was a brake on the economic development of the less developed countries. Moreover, whenever their own interests were affected the highly developed countries failed to uphold the theory of comparative costs of production by introducing high customs barriers against one another. The less developed countries were entitled to protection of their developing industries in their efforts to shift from a single-crop economy. Obviously, therefore, radical changes were called for in the old discriminatory pattern of international division of labour.

33. The essential prerequisite for overcoming that problem was further industrialization of the economically backward countries and regions. The Soviet Union was doing its utmost to help in speeding up that process by providing specialists, equipment, scientific and technological experience, and loans and credits on favourable terms. In addition, it had increased its trade with the under-developed countries eightfold in the period from 1953 to 1959. It was a source of satisfaction that the countries it was assisting were gradually shifting from a single-crop economy. It was the duty of the Council to help all the under-developed countries in their efforts to that end.

34. There could be no doubt that every country would gain from a competition in trade that provided for the comprehensive development of production for peaceful purposes rather than the production of guns and bombs, and that the cause of peace would thereby be served. The Soviet Union was in favour of peaceful coexistence and competition in the economic field as well as of active economic co-operation among all countries: by that he meant trade free from all artificial discriminatory obstacles — trade based on the principle of mutual benefit. Unfortunately, however, the West was trying to distort the true meaning of peaceful economic competition and was conducting a campaign to bring the "cold war" into the economic field under the pretext of combating a so-called Soviet Union economic offensive. At the same time, certain western circles were implementing economic measures that were not consistent with peaceful intentions. Such an attitude could not but lead to a decline in world economic relations.

35. There was no need for him to prove how groundless the allegations were that the Soviet Union failed to conform to rules and standards in its international economic relations. The Soviet Union delegation was ready to take part in working out the main principles of co-operation and to adhere to them strictly. Those principles should cover, firstly, the need to strengthen world-wide economic relations and to expand world markets; secondly, renunciation of economic isolation and warfare as an instrument of economic policy; thirdly, the foundation of economic and trade relations on the principles of equality, mutual benefit and non-interference in internal affairs; fourthly, a strict adherence to the principle of the most-favoured-nation treatment and non-discrimination.

36. Provisions of that kind were in conformity with the spirit of the United Nations Charter and would help to normalize both economic and political relations between States. All Soviet initiative proceeded from the doctrine that peaceful coexistence and co-operation formed a

major preventive against war. That doctrine had acquired real force and was becoming incontestable.

37. In regard to the disarmament problem, his delegation believed that the economic and social aspects of that problem came within the purview of the Council. It was regrettable that the Soviet Union suggestion at the Council's twenty-ninth session that those aspects of the matter were ripe for immediate study had not evoked a positive response. That would seem to indicate that some of the western countries had no intention of negotiating in earnest on the disarmament problem.

38. In conclusion, he stressed that in the existing international situation the Council and its subsidiary organs should intensify their endeavours towards expanding and developing international co-operation in the economic and social fields as a means of reducing international tension and establishing confidence among States. The Soviet Union delegation was prepared to do its utmost to contribute to that end.

39. Mr. DILLON (United States of America) said that the Economic and Social Council was recognized as the world's major forum for discussing the great economic and social questions of the day. The United States Government, therefore, welcomed the continued efforts of the Secretary-General to improve the Council's procedures and enhance its effectiveness. The experiment of convening a ministerial meeting on an important subject might well turn out to be a significant contribution to that end.

40. The Council's central interest was, and should be, sustained economic growth, especially in the newly developing countries. Sustained economic growth entailed, as the Soviet Union representative had stated, diversification of production. The representatives of the industrialized countries meeting with those of countries in the process of development had joined as partners in creating pre-investment institutions such as the Expanded Programme of Technical Assistance and the Special Fund. The Council received the reports of the specialized agencies and the regional economic commissions and thus obtained a comprehensive view of what was being done to fulfil the aim of the United Nations Charter for a better life in greater freedom.

41. In his statement (E/3394) the Secretary-General had noted the recent growth of regional, or limited, institutions and had raised the question whether the trend might not be dangerous to the larger interests reflected in general, or universal, organizations. Undoubtedly, there was a need for arrangements of less than universal scope. Limited groups of countries joining together often found it possible to succeed in constructive tasks which could not be carried out by a wider membership. Such institutions, however, might give rise to dangers, especially in the field of economic relations, where the interests of nations were becoming more thoroughly intertwined as interdependence grew. The United States Government was well aware of the needs and the dangers. Its policy was to test carefully the merits of specific economic institutions before deciding whether or not to endorse them. There must be persuasive evidence that they constituted the most effective available method to accomplish the objective in view, which itself must be a constructive one,

designed to promote human welfare. The means selected for economic co-operation must be in accordance with widely accepted multilateral principles or norms, so that they would not damage the economic interests of countries outside the groups.

42. Such institutions could also be of great value in helping to promote the development of member countries without detracting from the use of other channels or from the economic development of non-member countries. The United States was a member of the recently created Inter-American Development Bank and participated in economic development consultations under the Colombo Plan. That had not entailed any neglect by the United States of the use of other methods of co-operation in economic development. It continued to devote substantial resources to the development and economic stability of countries in Asia, Africa, the Middle East and Latin America, both directly and through its contributions to the United Nations, the International Bank for Reconstruction and Development (Bank), the International Monetary Fund (IMF) and the proposed International Development Association. All those economic arrangements, whether or not within the United Nations family, served the purposes of the United Nations.

43. The proposed Organization for Economic Co-operation and Development would also serve the purposes of the United Nations. It would not be a new organization, but a reconstitution of the existing Organization for European Economic Co-operation (OEEC). With the achievement of convertibility in most member countries, the time had come to emphasize the contribution which the free industrial areas could make to world growth and stability and for that purpose it was proposed that Canada and the United States, which had been associated with OEEC since the beginning, should become full members of the Organization for Economic Co-operation and Development. Since the constitution of that organization was still being negotiated, it was not possible to be specific about relationships between it and other international organizations; however, it was recognized that it should be authorized to establish such relationships where appropriate.

44. Pending the establishment of the new organization a group of ten capital-exporting countries had been participating in a Development Assistance Group which provided opportunities for frank discussion and informal consultations about the best methods for mustering the economic resources which they could make available to the less developed countries. The Group did not engage in specific operations, which would, of course, be carried out only by the countries directly concerned in co-operation with the developing countries themselves. It was not meant to replace any of the functions of the existing channels of co-ordination and co-operation but to complement and strengthen existing institutions. The Group agenda for its next meeting, in October, included a discussion of the pre-investment type of technical assistance, in which all the important international agencies directly concerned, including the United Nations and the appropriate specialized agencies, would be invited to participate. The Group was only an interim organization and would be replaced by a committee of

similar membership and characteristics within the Organization for Economic Co-operation and Development when that body had been established. When considering the problems of economic growth in the less developed areas, much attention had been given to the prospects for an adequate flow of external capital. Although prediction was hazardous, it was likely that in the coming years difficulties in obtaining external capital for sound development would not be the significant limiting factor to the progress of the less developed areas, because the future economic growth of the free industrial countries should be great enough to enable them not only to continue raising their own levels of living while maintaining adequate security and financial stability, but also to provide the outside capital, both private and public, which the developing countries could effectively use to supplement their own resources.

45. A much more serious limitation on growth in the developing areas were the difficulties of what was described as "absorptive capacity". Those difficulties included all the problems to be solved in preparing and executing technically sound and economically feasible development projects, improving government administration, training manpower and achieving higher standards of general health and education. The international institutions could be of great help, much more so in certain fields than could the governments of the capital-exporting countries. The United Nations with its Special Fund and Programme for the provision of Operational, Executive and Administrative Personnel, the Expanded Programme of Technical Assistance and the specialized agencies all had an important part to play. The United States Government most strongly urged full financial support by all Members of the United Nations for the Special Fund and the Expanded Programme, so that the immediate target of \$100 million might be reached in 1961.

46. During 1960 fourteen new African States, numbering more than 80 million people, would assume their rightful place as self-governing independent nations. It was of the greatest importance that that venture into freedom should succeed and that the new nations of Africa should develop stable and healthy societies. The emerging African leaders had recognized the need for disinterested outside help in pursuing their national goals. The initiative in seeking such help and the responsibility for putting it to effective use must rest with the African States themselves. The international community, however, must be ready to respond. The needs were great. Outside assistance would be required from many sources, from private foundations and investors, from individual governments and above all from the international agencies, which had already begun to respond to the challenge. The Economic Commission for Africa had made an auspicious start.

47. The participation by the many new countries of Africa in the United Nations system would require greater expenditure by the international agencies. The United States Government was prepared to support the necessary increase in the regular budgets of the United Nations and the appropriate specialized agencies, including the United Nations programme for technical assistance in public administration. The Programme for the Provision of Operational, Executive and Administrative

Personnel should no longer be regarded as experimental but should be placed on a continuing basis and increased in size.

48. The problem of gaining wider export markets for the products of the less developed areas had become a vital aspect of development and had been of deep concern to the Commission on International Commodity Trade and the Interim Co-ordinating Committee on International Commodity Arrangements. More recently, the secretariat of the Contracting Parties to the General Agreement on Tariffs and Trade (GATT) had undertaken an intensive study of ways to broaden the markets for a diversified range of exports from the less developed areas, with emphasis on the removal of discrimination, the abatement of excessive restrictions and the reduction of excise levies. GATT had played a key role in expanding trade on a liberal multilateral basis. It had sometimes been suggested that GATT should become a universal institution. There were, however, fundamental differences between the objectives and methods of GATT and those of countries with centrally directed economies. The United States could not consider as a step forward any proposal to bring about universal membership in GATT if it entailed the sacrifice of the principles of liberal multilateral trade. It would be a service to no one to give the illusion of universality while losing the principles upon which a truly international trade organization must be based.

49. The less developed countries were being confronted with an increasingly serious problem arising from the insistence of certain States upon the adoption of bilateral or barter methods of trade, frequently in conjunction with offers of capital or technical assistance. Bilateral trade and payments arrangements closely approximated barter in their economic effects, and barter had long been discredited as the most primitive form of commerce. For the less developed countries, bilateral arrangements had a potential cost far beyond the immediate economic one, for if they committed their exports to those arrangements, their freedom to buy and sell in the world markets was automatically curtailed and the economic basis of their national independence was thereby jeopardized. The risk was even greater where trade was an instrument of state policy rather than the natural result of market forces. Governments sincerely dedicated to the expansion of world trade would not advance bilateralism and barter as desirable methods of conducting international commerce.

50. The United States delegation was well aware that international meetings, at whatever level, did not in themselves solve deeply rooted economic problems. It was generally admitted that there were obstacles to the harmonization of national economic policies, even among countries with basically similar economic and political systems. While international institutions could appropriately be used as an aid to governments in approaching many basic economic difficulties, a realistic appraisal of the prospects for success must guide the selection of the machinery to be used. All members of the Council were agreed on one goal — that of a better life for people in the less developed countries.

51. The *World Economic Survey, 1959* (E/3361), was one of the best surveys so far produced by the United Nations

Secretariat. His delegation agreed with the emphasis on the need for sound monetary and fiscal policies as a prerequisite for economic growth in all countries and endorsed the view that in the less developed areas those policies must be reinforced by adequate access to external resources in order to help economic development to proceed without serious inflation or unmanageable pressures on the balance of payments.

52. The *Survey* suggested that government planning was desirable in order to increase the volume of investment and, thus, economic growth. The United States delegation would agree that the establishment of national goals was important to the study and formulation of economic policy. Economic goals could illuminate the road to progress so long as they left ample freedom to productive economic forces and sufficient scope for flexible and indirect instruments of economic policy. As the information in the *Survey* suggested, economic planning in the dogmatic sense, which subjected the economy to comprehensive and direct controls, had produced serious distortions where it had been applied and had failed to satisfy human wants.

53. Mr. LUNS (Netherlands) said that the present economic situation must be viewed in the world-wide context of competition between the countries with a centrally planned economy and the highly developed western countries with a mixed system of economy. The competition existed not only in the attitude of the exponents of the two systems, but also in the minds of the people in countries in the process of development. Many of them were examining and weighing the advantages and drawbacks of the two systems. It was important to compare the results of both systems as objectively as possible. There was a recent and welcome tendency in the communist countries to regard the differences between the systems less dogmatically. Mr. Khrushchev had warned his audience at Bucharest recently that it would be unwise to follow too closely what highly esteemed authorities had said in a different context several decades previously.

54. The pertinent figures were to be found in the *World Economic Survey, 1959*. The Netherlands delegation would examine them in detail in the Economic Committee.

55. One question, however, was of overriding interest. The advocates of a centrally planned economy claimed that their national product had increased faster than that of countries with a mixed economy. He would not wish to contest the fact that an increase in the national product was an important aim, but merely to compare increases in the national product was to oversimplify; the increase should be seen in relation to the starting point and the sacrifices incurred. It must be known how much consumption had had to be sacrificed to obtain a 1 per cent rise in the national product. What was called the capital/output ratio was a measure of the efficiency of a development policy. The *World Economic Survey* almost made such a comparison possible — the qualification “almost” must be made, because the capital/output ratio that might be computed for both systems would need correction in respect of the price relationships between capital and consumer goods. It would also have to be corrected by the composition of the national product in both

groups. It was to be hoped that the Secretariat would be able to carry its research somewhat further.

56. There seemed to be every reason to examine still other possibilities of comparison. The documents on the evaluation of long-term economic projections (E/3379 and Addenda) would give valuable assistance in that respect. Leaving aside the great difference in the evaluation of the position of the individual human being, the differences between the economic systems of the two groups were not so absolute as was commonly taken for granted. The system in the western countries could no longer be described as capitalism, a nineteenth-century term which had become obsolete. Many elements alien to capitalism had been introduced, such as solidarity, social responsibility and common interest. There were considerable public and co-operative sectors and the distribution of incomes after taxation was very different from what it had been in the past. The co-operation between trade unions and employers had also introduced radical changes. The process was not yet concluded. Thus the economic system prevalent in the western countries might be termed “mixed”.

57. Another indication that the differences between the two systems were not quite so fundamental as was usually supposed appeared clearly from a study of the part played by planning in both groups. In the centrally planned economies, too, there were large sectors, such as consumption and agriculture, where the task of separate units was not always prescribed in detail; the consumer enjoyed a certain amount of freedom in spending his income, and agriculture depended not only on changes in the weather but also on prospective prices. In those sectors rigid systems and direct orders were less effective than indirect methods.

58. The United States reply to the secretariat questionnaire on long-term economic projections (E/3379/Add.1) showed to what a great extent a country like the United States made use of planning methods. The input-output analysis had been developed mainly in the United States, but was now taken very seriously in the communist countries. The United States reply to the questionnaire gave the impression that there was a wide distinction between projections, forecasts and plans. The definition given of an economic projection was surely, however, the only tenable definition of an economic forecast: both were estimates of future development to be expected within a fairly wide margin of uncertainty when certain structural and functional changes were anticipated. In functional changes human action, measures taken by men, was a factor. It was the content of those measures that decided the nature of the estimates. A plan indicated the most desirable development and presupposed that the measures necessary to achieve that development would be taken. An estimate based upon that presupposition was a forecast also, although of a particular type. It went without saying that in the United States, too, projections were used when there was any intention of planning something. The United States quite rightly applied as many methods of planning as the communist countries or the European countries, but according to the United States reply the methods were used only for sector planning and not for the formulation and harmonization of

general policies. Many countries had, however, found it useful to apply methods for harmonization on a general scale.

59. He was not, of course, referring to political considerations. In politics the fundamental differences between the West and the communist countries remained irreconcilable, since the former could never accept a system that did not recognize the value of the individual as irreplaceable and unique. From the purely economic point of view, however, the differences were in some respects merely a question of degree; it was those differences that were of concern to the Council. For the less developed countries, the question did not arise whether everything must be produced by the State or by private enterprise; the question was what should be the size of the public and private sector and what specific measures should be taken to influence production and consumption in the most effective way. That opened up a field of discussion likely to be profitable to all.

60. The present international community suffered from a lack of co-ordinated economic policy. The differences between the centrally planned and the mixed economies should not be overemphasized. The centrally planned States were not the only ones to blame for the lack of co-ordination. The western countries also had shown a lack of interest; that was apparent from the very meagre response to similar suggestions made by the Netherlands delegation at previous sessions of the Council and in particular at the 1069th meeting held during the twenty-eighth session. The communist States had argued until recently that planning was solely a matter for national governments. Although latterly they had displayed some interest in regional planning, and especially in regional trade arrangements, they still took almost no part in the co-ordination of world-wide economic policy.

61. There were, however, a number of joint interests in elaborating a purely international economic policy, such as the need to develop international trade, the need for accelerated development of the less developed countries and the proper spread of investment over the various branches of economic activity.

62. As a minimum, an international economic policy might consist of a harmonization of national measures for the attainment of those objects, but the basic ingredient should be a clear picture of the future economic situation to be expected in various parts of the world. With that in view, the Netherlands delegation had proposed that long-term economic projections should be attempted, covering separate economic phenomena related to each other in some larger context. The Secretariat might be invited to make a set of such projections for the period 1960-1965 and submit it to the Council's thirty-second session. The sketch of future economic development thus obtained would enable the Council to frame conditions for a balanced growth of the world economy, to fix targets for future economic development and to direct the course of economic policy.

63. In such a concept of projections and targets it was necessary to establish the machinery and an idea of what should be the content of the policy. Naturally, the prerequisite was a common will to elaborate an international economic policy. With regard to the machinery, the

Secretary-General in his statement on the economic development of under-developed countries (E/3394) had noted that the function of consultation inherent in the Council, never as yet fully developed, should be highlighted and had added that through a rationally organized process of consultations the Organization might, more than any other body, play an important role both in the harmonization of national policies and the formulation of international objectives. That statement echoed the pleas made by the Netherlands delegation in the Economic and Social Council during the past few years. The Secretary-General might well elaborate upon that statement and describe in detail what he meant by a "rationally organized process of consultations". The Council was particularly fitted for such consultations, but they could be successful only if all countries, especially the larger powers, accepted the Council as a forum for such consultations and if its membership were increased from eighteen to twenty-four. The Council's value as a tool for framing international economic policy would thus be enhanced.

64. The international economic policy should obviously consist of international consultations on national policies and proposals. The projections would probably indicate how vital an increased volume of investments would be to the acceleration of prosperity. Although there was not yet sufficient information available to give a detailed picture of economic development, it was clear that accelerated economic growth was needed to overcome deficiencies in various parts of the world. The most effective means would be to devote a greater share of the national product to investment, which should be large enough to cause a real acceleration in economic growth but not so large as to cause damaging repercussions such as inflation or disturbances in balances of payments. The governments of most of the under-developed countries were well aware of their responsibility in that respect; the *World Economic Survey, 1959* (E/3361), showed that in many of those countries the share of the national product devoted to investment had risen sharply in the past ten years. That achievement was all the more remarkable when it was borne in mind that there were limited possibilities for savings in the less developed countries. Some further increase might be achieved by tapping available idle resources, particularly of manpower. Certain industrial countries, too, might wish to increase their internal investment quota, for many of them needed to raise their level of living. Furthermore, the resulting increase in the production level of industry would stimulate demands for raw materials, to the benefit of the less developed countries. The greater prosperity of the more highly developed countries would enable them to increase assistance to the under-developed countries. His delegation, therefore, approved the long-term investment policies set out in the *World Economic Survey, 1959*. They might be co-ordinated by international consultations.

65. The world-wide problem of insufficient economic development seemed to be appreciated in a new spirit. Humanity had been quick to realize that there were hundreds of millions of people living below a reasonable level. Regional assistance was being increased. The European Economic Community had a fund of nearly

\$600 million for countries associated with its members, and consultations were taking place about forms of assistance not included in the Rome Treaty. The OEEC had done a good deal in the way of assistance, but the proposed Organization for Economic Co-operation and Development would do a great deal more. The Development Assistance Group had undertaken a detailed study of the possibility of obtaining more means. He could not accept the Soviet Union representative's contention that the European Economic Community was hampering world trade. Indeed, the easing of trade barriers within the Community had been extended to countries outside it and the growth of exchanges between Community countries had not impeded international trade. In GATT the problem of the low level of prosperity in some parts of the world had been discussed. The resources of the IMF and the Bank had been doubled. The proposed International Development Association would have resources of \$1,000 million to spend in loans on easy terms over the next five years. The Special Fund was getting into its stride and it was to be hoped that at the forthcoming Pledging Conference the Expanded Programme of Technical Assistance and the Special Fund would obtain the \$100 million they needed.

66. There was a growing awareness that assistance to under-developed countries should not be given merely through grants and loans but rather by means of trade policies.

67. The Netherlands delegation had often stressed in the Council the need for assistance, and its policy remained unchanged. There were, however, a few urgent and relevant new considerations. Since all the bodies concerned had placed the question of assistance to the under-developed countries on their agenda, close co-operation was essential. It would be undesirable to let new organizations spring up with machinery of their own. The supply of expert knowledge was limited. Any new organizations

and methods of assistance should be linked to the existing organizations, and assistance should preferably be given on a multilateral basis. The Secretary-General in his statement (E/3394) had pointed out that there was nothing to prevent the United Nations from performing executive functions or to preclude it from acting as an intermediary in specific projects. The Lower Mekong River Basin project (E/3340) was an excellent example of a harmonious blending of bilateral and multilateral assistance. The United Nations was thus entering a new era of operational activity; flexibility should be the hall-mark of that new era.

68. Vigorous measures should be taken to assist the newly independent countries, most of which were in Africa. His delegation endorsed the Secretary-General's proposals on that subject. Although the social and financial consequences entailed in the emergence of so many new countries could not yet be gauged, the international community should not stand idly by until the problems became more clearly defined; the Secretary-General had rightly stated that there were great possibilities for immediate action. The new countries themselves must decide in due course on the extent and nature of assistance they would need.

69. Assistance to the less developed countries should be based on an equality of partners, the countries concerned participating fully at all stages.

70. The world would be a very different place five years thence. It was to be hoped that the social and economic role of the United Nations would become a living reality within measurable time. The proposed International Development Association and the Special Fund would serve to quicken the awareness of the new era. The question now was no longer whether assistance should be given, but rather, to what extent and in what way.

The meeting rose at 12.55 p.m.