

UNITED NATIONS
**ECONOMIC AND
 SOCIAL COUNCIL**
 OFFICIAL RECORDS



ELEVENTH SESSION, **423rd**
 MEETING
 WEDNESDAY, 25 OCTOBER 1950, AT 3 P.M.
 LAKE SUCCESS, NEW YORK

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President: Mr. Hernán SANTA CRUZ (Chile).

Present: Representatives of the following countries: Australia, Belgium, Brazil, Canada, Chile, China, Czechoslovakia, Denmark, France, India, Iran, Mexico, Pakistan, Peru, Poland, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America.

Representatives of the following specialized agencies:

International Labour Organisation, Food and Agriculture Organization, United Nations Educational, Scientific and Cultural Organization, International Bank for Reconstruction and Development, International Monetary Fund, World Health Organization.

Plans for relief and rehabilitation of Korea (A/1435, E/1851/Rev.1, E/1851/Add.1, E/1852, E/1858, E/1858/Corr.1, E/1859, E/L.108/Rev.1, E/L.110, E/L.111, E/L.112, E/L.113, E/L.114 (*continued*))

CONSIDERATION OF ANNEX II OF THE AUSTRALIAN PROPOSAL (*continued*)

1. The PRESIDENT recalled that at the previous meeting the Council had adopted paragraphs 1 to 8 of the "Statement of general policy on Korean relief and rehabilitation" contained in annex II to the Australian draft resolution (E/1852). The text that had been adopted up to the 422nd meeting inclusive would be found in document E/L.112. The Council should now consider the following paragraphs and the additional paragraph proposed by the United States (E/1859) for insertion after paragraph 9 of the Australian text. He invited discussion on that additional paragraph.

Additional paragraph proposed by the United States (E/1859)

2. Mr. LUBIN (United States of America) considered that that Australian draft resolution did not deal specifically enough with the question of fiscal and monetary policy. It would be useful to clarify that point and to show that inflation might compromise the success of the relief and rehabilitation programme.

3. Mr. ARUTIUNIAN (Union of Soviet Socialist Republics) considered that the United States amendment which aimed at imposing a specific course of

action upon the Korean Authorities was unacceptable. The amendment was partly unnecessary since, so far as the supplies provided by the United Nations were concerned, the course to be followed had already been decided when the USSR amendment (E/L.108/Rev.1) had been adopted at the previous meeting; that decision had settled the questions of distribution, price and profits. To the extent that the United States amendment went beyond that, it constituted interference in the domestic affairs of Korea and was therefore in contradiction with the principle of non-interference previously approved.

4. Mr. LUBIN (United States of America) thought that the USSR amendment adopted at the previous meeting did not apply to the problem under discussion. It was not a question of imposing a particular policy upon the Government of Korea, but merely of asking that Government to take certain particularly important factors into consideration.

5. Mr. ARUTIUNIAN (Union of Soviet Socialist Republics) could not accept the interpretation of the United States representative. In particular, he wondered what was the exact meaning of the expression "sound . . . fiscal and monetary policies". It had to be presumed that every government followed a sound policy. Who was to judge whether the policy followed by Korea was sound or not? That amendment would open the way to dangerous pressures.

6. Mr. DICKEY (Canada) said that his delegation shared the views expressed in the United States amendment. It was necessary to state the general principles which were to guide the United Nations representative in Korea, and which should also be taken into account by the Korean Authorities. The definition of such principles in no way constituted an interference in Korean internal affairs.

7. Mr. WALKER (Australia) said that he had already expressed his agreement with the general principles of the United States amendment. That amendment was not intended to impose a particular policy upon the Government of Korea, but merely to insure the best possible use of the resources supplied as a result of a common effort undertaken on an international basis.

8. He nevertheless wondered whether the phrase which appeared in brackets concerning "realistic pricing" was

necessary. That was an extremely vague expression; it was no doubt intended to prevent sales at prices which were too low. It had nevertheless been recognized that, in certain cases, there should be a free distribution. Therefore it might also be useful to arrange for distribution at reduced prices. It seemed advisable to avoid rules which were too rigid.

9. He therefore asked Mr. Lubin to delete the word "realistic" in the phrase in brackets.

10. Mr. LUBIN (United States of America) agreed to that proposal.

11. Mr. TAUBER (Czechoslovakia) wondered whether the provisions regarding exports might not result in interference in internal affairs; it might, for instance, be considered that exports to certain countries were sound, while those to other countries were not.

12. Mr. LUBIN (United States of America) pointed out that exports had been mentioned only as a measure recommended to the Korean Government for the accumulation of foreign exchange.

13. Mr. TAUBER (Czechoslovakia) nevertheless wondered whether that expression might not lead to improper interference.

14. Mr. DE SEYNES (France) thought that as the Council had dropped the provisions regarding the prevention of inflation from paragraph 6 of annex II, it was particularly desirable to accept the United States amendment.

15. While it was true that any government was supposed to pursue a sound financial policy, as the representative of the Soviet Union had stated, different opinions on that subject had nevertheless been expressed in the Council itself. For example, the Mexican representative had suggested (422nd meeting) that the relief programme should be based upon free distribution, rejecting the recommendation concerning the prevention of inflation which was considered as a humanitarian task.

16. He thought the prevention of inflation was of great importance to the success of that humanitarian task, and therefore supported the United States amendment.

17. Mr. NORIEGA (Mexico) emphasized that during his long career as a journalist he had been constantly concerned with the problem of inflation and had found that, on that point, there were as many opinions as there were experts. The prevention of inflation was an extremely delicate question and in the light of the experience of the last thirty years, it seemed that, on the whole, the campaign against inflation had hardly met with any success. It was true that remedies for inflation existed, but the scope of those remedies was generally limited.

18. He thought that it was dangerous to make the representative of the United Nations and the Korean Government responsible for a task so serious as the campaign against inflation. It would be better merely to state that supplies provided under the relief programme must not be used for commercial transactions.

19. The provisions proposed in the United States amendment would be useful if they were considered as a clarification of the text of paragraph 2 of the statement of general policy adopted at the previous meeting. He therefore suggested that the question should be considered in that way.

20. Mr. ENCINAS (Peru) supported the United States amendment. It was indeed essential to insert some such provisions in the statement of principle. He considered that the Mexican representative was unduly pessimistic in asserting that it was impossible to combat inflation. Although it was an extremely delicate problem, there was no reason to abandon the struggle.

21. Nevertheless, he wished to make two remarks: the first related to the expression "effectively employed", which he considered far too vague. Although the meaning was clarified in the following line, it would be preferable to state at once that a policy for the prevention of a fundamental disequilibrium was being envisaged. He then criticized the expression "business-like". That expression seemed to him to be too vague and too difficult to interpret precisely.

22. The PRESIDENT recalled that the United States representative had agreed to replace the expression "business-like" by the word "efficient".

23. Mr. ENCINAS (Peru) said that in that case he would gladly withdraw his objection.

24. Mr. CORLEY SMITH (United Kingdom) said that inflationary tendencies were the inevitable aftermath of war. However, the distribution of relief supplies from abroad, if wisely conducted, would help to reduce inflation and, at the same time, an adequate anti-inflationary policy on the part of the authorities in Korea would make the distribution of relief more effective. Measures against inflation would, in particular, help to put down the black market, which was the scourge feared by the Mexican representative.

25. By adopting the United States amendment the Council would not be exceeding its competence; the United Kingdom representative therefore supported it.

26. Mr. ARUTIUNIAN (Union of Soviet Socialist Republics) pointed out that even the struggle against inflation fell within the realm of the domestic affairs of Korea, and that the United Nations should therefore not interfere in that matter.

27. A very clear distinction had to be drawn between two questions: the United Nations was absolutely entitled to take measures to prevent goods provided by way of assistance from being sold on an illicit market. On the other hand, the United Nations was not entitled to interfere with the general economic policy of the Korean Government. The United States representative, however, was precisely recommending such a course of action in providing, in his amendment, that the Korean Authorities should pursue a sound financial and monetary policy, should stabilize prices, etc.

28. The proposal was in fact contrary to a previous decision of the Council, which provided for non-intervention in the internal affairs of Korea.

29. Mr. ALI (Pakistan) asked the United States representative to explain the meaning of the expression "the efficient management of government enterprise".

30. Mr. LUBIN (United States of America) replied that that simply meant that the Government should not set up too many non-productive enterprises. Thus, there was no question of setting up any criteria of efficiency. The countries which contributed to the rehabilitation of Korea must be assured that the resources which they made available to that country would be used in the most effective manner possible.

31. Mr. BORATYNSKI (Poland) recalled that annex II of the Australian draft merely stated general principles and that care should therefore be taken to avoid introducing questions of detail. Moreover, the United Nations was in no way called upon to give the Koreans advice on economic questions. It merely had to lay down the principles which should govern the relief administration.

32. The amendment submitted by the United States delegation seemed to subordinate the assistance to be provided to Korea by the United Nations to certain economic conditions and that was inadmissible. For all those reasons, the Council should reject that text.

33. Mr. SAKSENA (India) noted that the USSR delegation opposed the United States amendment for two reasons: firstly, the USSR delegation considered that the amendment would infringe the sovereignty of the Korean people; secondly, it was liable to provide a pretext for political pressure on Korea.

34. With regard to the first reason, he pointed out that the Council had already adopted paragraph 3, which imposed certain limitations upon the Korean Government's freedom of action. By adopting the United States amendment, which contained no additional restrictions, the Council would merely be supplementing the provisions of that paragraph.

35. As regards the USSR representative's second objection, he considered it totally unfounded.

36. Mr. SCHNAKE VERGARA (Chile) said that the United Nations was going to be obliged to spend millions to repair the damage caused by an aggression. It should therefore take steps to see that its resources were properly used and well spent and it was quite natural that it should ask the Korean Authorities to adopt a fiscal and economic policy likely to lead to the effective use of those resources.

37. He could not understand the attitude of the USSR delegation. The Council had adopted a paragraph providing for the reduction to a minimum of the proceeds derived from the sale of relief, and the USSR representative had not objected. Why should he now object to the recommendation that the Korean Authorities should adopt a certain policy with regard to prices, when there was no essential difference between the two texts?

38. According to Mr. Arutiunian, the Economic and Social Council could recommend the Korean Authorities to fix the prices of goods provided under the programme, but had no right to formulate recommendations on general financial policy. He could have understood that attitude if the assistance programme had involved only small amounts. In the case in point, however, that assistance included everything that was necessary for the re-establishment of Korean economy; it was therefore impossible to draw a distinction be-

tween the relief programme and the rehabilitation programme.

39. He was therefore in favour of the United States amendment, which in his opinion in no way prejudiced the sovereignty of the Korean people.

40. Mr. NORIEGA (Mexico) proposed that the United States amendment be modified as follows: (a) that the following phrase be added at the end of the first sentence of the amendment: ". . . to aid in laying the economic foundations of the country"; (b) that the words "special attention should be given" at the beginning of the second sentence should be replaced by the words "special attention *might* be given"; (c) that the phrase "to sound, non-inflationary fiscal and monetary policies" be replaced by the words "*to measures to combat inflation*, to sound fiscal and monetary policies"; (d) that the words "and imports" be added after the phrase "together with promotion of exports".

41. Mr. LUBIN (United States of America) was prepared to accept sub-amendments (a) and (c) just proposed by the Mexican representative. He did not consider however that sub-amendments (b) and (d) were necessary.

42. Mr. NORIEGA (Mexico) did not press the adoption of his sub-amendments (b) and (d).

43. Mr. YU (China) accepted the United States amendment. He considered furthermore that it was improper to speak of sovereignty in connexion with a country whose sovereignty had just been violated. The sovereignty of the United Nations had precedence over that of individual States. In view of the fact that the United Nations had taken collective measures to combat aggression, it should also be entitled to take collective measures to assist a country which had been a victim of that aggression.

44. Mr. ARUTIUNIAN (Union of Soviet Socialist Republics) wished to reply to the representatives of India and Chile.

45. Mr. Saksena had been wrong in comparing the United States amendment with paragraph 3, which had been adopted on the initiative of the USSR delegation. That paragraph merely referred to the resources provided under the relief programme, whereas the United States amendment dealt with the economic policy of the Korean Government as a whole. The United Nations had no right to interfere in that policy.

46. In reply to Mr. Schnake Vergara, he said that the United Nations was certainly entitled to lay down the conditions under which the relief should be distributed. Nevertheless, if the work of assistance was to be used as a pretext for making recommendations on price policies, imports, exports, etc., that constituted real interference in the internal affairs of the country concerned. However great the extent of the relief received by that country, it could not serve as a pretext for exercising pressure on the Korean Government.

47. Lastly, he was surprised by the statement just made by the Mexican representative, which seemed to him to be in contradiction with that representative's statement at a previous meeting of the Council.

48. Mr. NORIEGA (Mexico) said that two entirely different questions had been confused during the cur-

rent debate, namely, the question of the immediate relief to be provided for Korea and the measures necessary for the economic rehabilitation of that country.

49. It was obviously unnecessary to dwell on the question of inflation in connexion with immediate relief, and that was what he had pointed out at the last meeting. Nevertheless, he could see no difficulty in accepting the United States proposal with regard to defining the policy to be adopted for the rehabilitation of the Korean economy.

50. Mr. SAKSENA (India) agreed that paragraph 3 merely dealt with the resources to be provided under the relief programme planned by the United Nations, whereas the United States amendment also dealt with Korean resources. Nevertheless, he thought it would be impossible to adopt a different policy with regard to the two groups of resources, which would both be used to promote the rehabilitation of the Korean economy.

51. Mr. YATES (Secretary to the Council) read the United States amendment in its modified form:

"The necessary economic and financial measures shall be taken by the authorities in Korea to insure that the resources provided under the United Nations programme as well as Korean resources are effectively employed to aid in laying the economic foundations of the country. Among these, special attention should be given to measures to combat inflation, to sound fiscal and monetary policies, to the requisite pricing, rationing and allocation controls (including the pricing of goods imported under the programme), to prudent use of Korean foreign exchange resources, together with promotion of exports, and to the efficient management of government enterprise." (E/L.112/Rev.2).

52. Mr. ARUTIUNIAN (Union of Soviet Socialist Republics) called for a separate vote on the first sentence of the text and on the second.

53. The PRESIDENT put to the vote the first sentence of the modified United States amendment.

The sentence was adopted unanimously.

54. The PRESIDENT put to the vote the second sentence of the modified United States amendment.

The sentence was adopted by 15 votes to 3.

55. The PRESIDENT put to the vote the modified United States amendment as a whole.

The amendment was adopted by 15 votes to 3.

56. The PRESIDENT opened the discussion on paragraph 10 of annex II.

Paragraph 10

57. Mr. LUBIN (United States of America) said he wondered how import taxes could be imposed in Korean territory "in a manner which reduces the United Nations resources". He pointed out that a government might easily find itself in a position which demanded the imposition of taxes such as, for example, a sales tax. The Korean Government ought not to be prevented from taking measures which might perhaps be the only means of balancing the country's budget.

58. Mr. WALKER (Australia) explained that the text of paragraph 10 was based upon similar provisions

in the agreements concerning the assistance provided by UNRRA. In view of the remarks made by the United States representative, and as the Council had already adopted a paragraph on the general principles to be observed in fiscal policy, he felt that it would be sufficient to retain only the first sentence of paragraph 10 and to delete the second sentence entirely.

59. Mr. DICKEY (Canada) proposed that in the first sentence, after the words "relief and rehabilitation supplies", there should be added the words "received under the United Nations programme". In that way, the taxation of other supplies would not be prevented.

60. Mr. WALKER (Australia) accepted that amendment.

61. Mr. CORLEY SMITH (United Kingdom) felt that the United Nations was right in asking that relief supplies should be exempted from import duties. The Korean Authorities should not, however, be prevented from levying other taxes or duties if they found that necessary in order to restore their budgetary position. Mr. Corley Smith therefore supported the Australian proposal to retain only the first sentence of paragraph 10, as modified by the Canadian amendment.

62. The PRESIDENT put paragraph 10, as amended, to the vote.

Paragraph 10, as amended, was adopted unanimously.

Additional paragraph proposed by the United States (E/1859)

63. The PRESIDENT referred to the United States amendment (E/1859) which proposed the addition of a new paragraph to the Australian text after paragraph 10. He pointed out that it was not yet known whether there would be an Agent General, since the Council had not yet taken a decision on the organization of the relief and rehabilitation programme. He considered that it would be advisable to postpone the discussion of that paragraph, as had already been done with regard to paragraph 9 of the Australian text, until such time as the Council had given its opinion on the administration and organization of the relief and rehabilitation programme or, in other words, on the first part of the draft resolution (E/1852).

The President's proposal was adopted.

64. The PRESIDENT opened the discussion on paragraph 11 of the Australian text.

Paragraphs 11 and 12

65. Mr. FENAUX (Belgium) proposed that paragraphs 11 and 12 should be combined. The right to supervise the distribution of relief and rehabilitation supplies, as mentioned in paragraph 11, was, in fact, a part of the privileges, immunities and facilities dealt with in paragraph 12. Accordingly, he proposed that the latter should be retained as it stood, and should be followed by the sentence: "In particular, it¹ shall be freely permitted to supervise . . . etc.", then taking up the wording of paragraph 11 of the Australian text.

66. Mr. LUBIN (United States of America) feared that the new wording would restrict the scope of the two paragraphs. It might give grounds for supposing

¹ The personnel of the United Nations.

that the privileges, immunities and facilities in question applied only to the right of inspection.

67. Mr. NORIEGA (Mexico) considered that the wording proposed by Belgium would have the disadvantage of eliminating the beginning of paragraph 11, whereas it was important to emphasize that all authorities in Korea were required to grant United Nations personnel full liberty to supervise the distribution of relief and rehabilitation supplies. If that clause were dropped, the text would become too vague.

68. Mr. FENAUX (Belgium) did not press for the adoption of his amendment.

69. The PRESIDENT put paragraphs 11 and 12 to the vote.

Paragraphs 11 and 12 were unanimously adopted.

Paragraph 13

70. The PRESIDENT opened the discussion on paragraph 13 and the amendment submitted by the United States (E/1859).

71. Mr. WALKER (Australia) accepted the United States amendment.

72. The PRESIDENT put paragraph 13, as amended, to the vote.

Paragraph 13, as amended, was unanimously adopted.

Paragraph (b) of the USSR amendment (E/L.108/Rev.1) and amendments thereto

73. The PRESIDENT opened the discussion on the amendment of the Union of Soviet Socialist Republics (E/L.108/Rev.1) and on the amendments to it put forward by Australia (E/L.110) and the United States (E/L.111).

74. Mr. LUBIN (United States of America) remarked that his amendment was concerned merely with what his delegation considered to be a drafting improvement which would substitute the phrase "Korean Authorities" for the expression "representatives of the Korean people" used in the USSR proposal.

75. Mr. ARUTIUNIAN (Union of Soviet Socialist Republics) observed that, though at first sight the United States text appeared to be a simple drafting modification of the USSR amendment, it would nevertheless greatly restrict its scope by stating that the agency responsible for the administration of the relief and rehabilitation programme should consult the Korean Authorities and utilize their services "so far as practicable". The words "so far as practicable" did not occur in the USSR text and would provide a loophole for anyone who claimed that such consultations or utilization of services were impossible. Mr. Arutiunian accepted the substitution of the term "Korean Authorities" for the "representatives of the Korean people", as proposed by the representative of the United States.

76. Mr. LUBIN (United States of America) said he could not see how the agency entrusted with the administration of the programme could be obliged to

utilize the services of the Korean Authorities. Experience had shown that local authorities often lacked competent personnel and that, in certain cases, it might be preferable not to make use of them. Mr. Lubin nevertheless agreed to the following drafting modification of his amendment: "In determining Korea's needs . . . , the agency created to administer the relief and rehabilitation programme should consult with and, so far as practicable, utilize the services of Korean Authorities." Thus the agency would always have to consult with the Korean Authorities but would not be compelled to utilize their services unless that method offered a real advantage.

77. Mr. CORLEY SMITH (United Kingdom) shared the opinion of the United States representative. The agency entrusted with the administration of the programme should not be forced to make use of the Korean Authorities when it knew that they could not render the services required.

78. Mr. WALKER (Australia) said that, on reading the United States amendment, he had understood that the agency responsible for the administration of the programme would have the right to decide whether or not it ought to utilize the services of the Korean Authorities, while endeavouring to do so as far as practicable. The interpretation of the text which Mr. Lubin had just given did not seem to him to be acceptable. He agreed that the agency of the United Nations should make use of the Korean Authorities, but the agency must be in a position to decide for itself, in each case, whether or not it should do so. The Australian delegation had not understood that the agency would be compelled to make use of the Korean Authorities whenever that was physically possible.

79. Mr. Walker was therefore unable to support the United States proposal, because he was certain that, in its present form, it would give rise to differences of opinion with regard to the way in which it should be applied.

80. Mr. ARUTIUNIAN (Union of Soviet Socialist Republics) accepted the text proposed by the representative of the United States.

81. The PRESIDENT put to the vote the amendment as reworded by the representative of the United States.

The amendment was adopted by 15 votes to 1, with 2 abstentions.

82. Mr. WALKER (Australia) explained that he supported the principle of consultation with the Korean Authorities and of utilizing their services, but that the text which had just been adopted would create administrative difficulties that should have been avoided; that was why he had voted against the amendment.

83. Mr. ALI (Pakistan) said he had abstained because he was not satisfied with the term "Korean Authorities".

84. Mr. DICKEY (Canada) said that he had abstained for the same reason.

The meeting rose at 6.30 p.m.