



Tuesday, 6 March 1951, at 10.15 a.m.

CONTENTS

	<i>Page</i>
Invitation to the Secretary-General of the League of Arab States to attend sessions of the Economic and Social Council (E/1938 and E/L.152) . . . .	155
World economic situation (E/1907, E/1910, E/1910/Add.1 and 2, E/1912, E/1912/Add.1 to 3 and E/C.2/280) ( <i>continued</i> ) . . . . .	156

**President: Mr. Hernán SANTA CRUZ (Chile).**

*Present:* The representatives of the following countries:

Belgium, Canada, Chile, China, Czechoslovakia, France, India, Iran, Mexico, Pakistan, Peru, Philippines, Poland, Sweden, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay.

The representatives of the following specialized agencies:

International Labour Organisation, United Nations Educational, Scientific and Cultural Organization.

**Invitation to the Secretary-General of the League of Arab States to attend sessions of the Economic and Social Council (E/1938 and E/L.152)**

1. The PRESIDENT invited the Council to examine the question of an invitation to the Secretary-General of the League of Arab States which would permit him to attend sessions of the Council in the capacity of observer.

2. Mr. BROHI (Pakistan) introduced his draft resolution (E/1938). He pointed out that the draft was identical with General Assembly resolution 477 (V) adopted on 1 November 1950.

3. The League of Arab States, established on 22 March 1945, consisted of seven States, six of which were Members of the United Nations, representing over 40 million inhabitants; those States were Egypt, the Hashimite Kingdom of the Jordan, Iraq, Lebanon, Saudi Arabia, Syria and Yemen.

4. As no member of the League was currently represented on the Economic and Social Council, it would be equitable and appropriate to invite the Secretary-General of the League to attend sessions of the Council in the capacity of observer.

5. The economic situation of the Middle East was of major importance to the whole world; the Indian delegation had shown its awareness of that fact in proposing

the establishment of an economic commission for the Middle East. The suggestion had been warmly supported by the delegation of Pakistan. That was an additional reason for inviting the Secretary-General of the League of Arab States to take part in the work of the Council.

6. Mr. ARROYO TORRES (Uruguay) supported the draft resolution submitted by Pakistan. The Uruguayan Government, true to its political traditions, believed that international organizations should give the closest attention to groups of countries which had not yet attained full economic and social development, as in the case of members of the League of Arab States. Furthermore, the importance of the League in world affairs could not be ignored. The Uruguayan delegation would consequently vote in favour of the draft resolution.

7. Mr. ARDALAN (Iran) gave his enthusiastic support to the Pakistan draft resolution. The League of Arab States consisted of countries linked together by ancient ties of language and religion; it played an important part in the maintenance of peace and security in the Middle East. The members of the League of Arab States occupied a part of the region which also comprised Turkey, Pakistan and Iran, countries connected with them by the same ties of culture and tradition.

8. Mr. FREI (Chile) and Mr. CABADA (Peru) supported the draft resolution for the same reasons as those given by the representative of Uruguay.

9. Mr. LUBIN (United States of America) stated that he too would support the Pakistan draft resolution; he would like, however, to submit an amendment broadening the invitation in question to include a representative of the Organization of American States. That amendment would amend the draft resolution of Pakistan (E/1938) to read as follows:

*"The Economic and Social Council*

*Requests the Secretary-General of the United Nations to invite the Secretary-General of the League*

of Arab States and the Secretary-General of the Organization of American States to attend the current session of the Economic and Social Council as observers."

10. Mr. PARKINSON (Canada) thought that the Pakistan proposal was readily acceptable; however, the United States amendment complicated the situation, as it revealed the existence of a delicate question of procedure; would not the Council be establishing a precedent with unforeseeable consequences by inviting representatives of international organizations such as the League of Arab States and the Organization of American States? He believed the question sufficiently important to warrant its consideration by governments. He accordingly proposed postponement of the discussion until the following session of the Council.

11. Sir Ramaswami MUDALIAR (India) acknowledged that the question which had been raised warranted serious study. The League of Arab States had expressed a desire to be represented at the twelfth session of the Council, in view of the importance of the questions under consideration.

12. He thought it would be wise, therefore, if, on the one hand, the Canadian delegation would withdraw its motion for postponement and, on the other, if the invitation in question were made to apply only to the twelfth session. The principle involved in extending a permanent invitation to certain international organizations could be considered at some later time.

13. Mr. PARKINSON (Canada) accepted the Indian representative's suggestion, provided that it was clearly understood that the question of principle would be examined at the thirteenth session.

14. Mr. CORLEY SMITH (United Kingdom) shared the view of the Canadian representative; for his part, he would like to consult his Government before commenting on a question which would establish a precedent for which no provision was made in the Council's rules of procedure.

15. If it was agreed not to consider the Council's decision as a precedent, he thought the invitation in question could be extended, but for the Council's twelfth session only.

16. Mr. FENAUX (Belgium) entertained the same doubts as the representatives of Canada and the United Kingdom. He considered the Indian representative's suggestion a happy one since it postponed any final decision.

17. It would be useful, moreover, if the Secretary-General would submit to the Council at its thirteenth session a memorandum explaining the position of observers representing regional organizations indicating for example whether they were comparable to States Members of the United Nations which were not members of the Council.

18. Mr. BURINSKY (Union of Soviet Socialist Republics) stated that the amendment submitted by the United States had altered the situation; in accordance with the provisions of rule 55 of the rules of procedure,

he asked that consideration of the question be postponed for twenty-four hours.

*It was so decided.*

**World economic situation (E/1907, E/1910, E/1910/Add.1 and 2, E/1912, E/1912/Add.1 to 3 and E/C.2/280) (continued)**

[Agenda item 3]

19. Mr. CHANG (China) said that all the peoples of the world were waiting with bated breath to see what new reasons for hope or despair the future might bring. His delegation appreciated all sincere efforts at conscientious analysis of a very complex situation; but certain assertions and assumptions were intentionally misleading.

20. As a title for the first section of his observations he wished to quote words that would be found at the close of the Introduction of the *World Economic Report 1949-1950*. After describing the outlook as threatening, the report offered a somewhat more hopeful conclusion. It stated: "The economic development of the under developed countries remains the most important single long-run economic problem confronting the world. Its solution calls for a rapid expansion of the world economy. Such an expansion could, if appropriately oriented, provide the goods and services needed to raise the living standards of two-thirds of the world population, as well as the possibility of achieving without undue strain the economic adjustments that will be required in all parts of the world."

21. He would use the words "if appropriately oriented" as the title for the first section of his observations. Though seemingly innocent, those words represented for the thoughtful a most challenging qualification. The Council had begun its deliberations on the problem of the under-developed areas at its second session in 1946. On 4 June 1946 (7th meeting), his delegation had made a statement on the world significance of economically low-pressure areas. He quoted the following passage from that statement:

"We are too much drawn to the temporary existing contentions and conflicts. We must learn to envisage the world as a whole, giving due consideration to the economically less developed areas not only because of the huge populations and potential resources, not only because they supply the raw materials and furnish the markets for the manufactured goods of the industrialized countries, but also because they serve as the meeting-places for conflicts and contentions of the industrialized Powers. It is in these economically 'low-pressure' areas that we can detect and delineate the shape of things to come in international struggles, actual and potential."

22. The under-industrialized areas, then, were the scene of conflicts between the industrialized Powers. That led him to section I, part 1, of his observations, entitled: "The centre and the periphery." There had been periods of expansion in history. The modern period of European expansion had been going on for approximately four hundred years. The centre of that expan-

sion had been Europe, but after 1917 new areas of power had emerged on the periphery.

23. The under-developed areas were of course found on the outer fringe of that periphery, and it had always been difficult to decide what relative degrees of attention should be devoted to the centre and the periphery. When areas of development had appeared on the outer periphery, they had been apt to give more attention to the affairs of the former centre than to the under-developed areas on the outer periphery. In the history of China there had been a period called "the warring States". That period had lasted roughly for from 400 to 500 years and had ended in the third century B.C. That had also been a period of expansion, the expansion taking place in all directions from a centre located in the middle part of the Yellow River Basin. It was very odd that towards the end of that period of expansion in China, two focal areas on the inner periphery had emerged predominant. Had the final unification been effected under the influence of the area that paid more attention to the under-developed outer periphery or to the one that paid less? He would leave the answer to be supplied by those who cared to study the facts. Surely it must be clear that the under-developed outer periphery should not be neglected.

24. Section I, part 2, would be called "sympathetic understanding". He quoted the following from his statement of 4 June 1946:

"Under-industrialized areas of today are no longer as subdued and overawed as they were before the First World War. I think you understand what I mean. They no longer follow without protest the docile orbits prescribed for them by the powerful industrial nations. This applies especially to those countries which have experienced advanced degrees of cultural development at various times and in different aspects before the impact of modern industrialism."

25. Hunger for industrialization deserved sympathetic understanding. Mere material assistance was not enough. The under-developed peoples must receive imaginative, sympathetic understanding. In the world conflict, the side that would treat the peoples of the under-industrialized areas with sympathetic understanding would be likely to increase its influence. That remark he would also leave to those who studied the facts.

26. The third part of section I was called "truth and freedom". Truths somehow always sounded more poignant and more convincing when expressed in a minor key. But those who were eager for power asserted what might be called their "monistic intolerance". They were ruthless in their oppression of those who held different opinions. In that respect, however, the long history of China could show that the gentler philosophy of pluralistic exploration had always managed to be closer to the hearts and minds of the people, and consequently to last longer. Assertive repetition only exposed an inner lack of confidence. In Chinese history there had been two periods of ruthless monistic intolerance: the period of the first emperor of the Chin dynasty and

the period of the Mongol invaders. However, neither period had lasted long. The use of slave labour in the building of the Great Wall of China under the first emperor had left among the Chinese people a hatred of tyranny; and the garrisoning of police in people's houses under the Mongols had caused revolt and resentment and shortened the period of the invaders' power. He had so far commented on the section entitled "if appropriately oriented". Three points should not be lost sight of, namely, "the centre and the periphery", "sympathetic understanding" and "truth and freedom".

27. He next came to section II, which he called "the big bite". More than one speaker had openly described China as a kind of protectorate of the USSR. Would that not be a case of biting off more than one could chew? Those speakers had often claimed for the USSR and the People's Democracies a total population of 750 million, of which, according to their estimate, 475 million were Chinese. Would not such a big piece stick in the throat? Even though some of it could be swallowed, would it not cause gnawing indigestion and even more painful disturbances? The situation might be compared to the case of Jonah and the whale, but with a very much bigger Jonah. Sooner than people realized, time would reveal the painful results of that terribly ambitious bite.

28. With regard to the inclusion of the material relating to China in the Secretariat's report, he would like to ask a question: was the Secretariat conscious of the danger of misinterpretation that might result from the inclusion of material on China under the communist régime? Had the communist régime thus been admitted into the United Nations by a side door? Would that not be taken advantage of by those who were only too ready to gain such admission? After all, a report of the United Nations was not a purely academic affair. It was official. He therefore expected the Secretariat to give some explanation of that delicate and important question.

29. With regard to the Secretariat's claim to objectivity, he was afraid all liberals of nineteenth century vintage were extremely naive, too easily misled and manipulated by the doctrinaires who justified all means by their ends. Furthermore, there was no way of conveying the amount of human suffering underlying the cold figures.

30. He would call section III of his observations "the perspective." In praising some of the reforms introduced by the communist régime, one representative had claimed that the situation was better now in China than it had been for thousands of years. Had China been backward for so long? Before answering that question, he would briefly advert to a number of facts and figures illustrating the reconstruction effort in Taiwan (Formosa).

31. The economy of Taiwan had been almost completely destroyed by Allied bombings during the war with Japan. When the Chinese Government had taken over, Taiwan's population of six million was left with insufficient means of production to maintain a normal standard of living. The government had had to pour

into the island money, machinery and skilled workers to fill the vacuum created by the withdrawal from the island of all Japanese workers, who, in accordance with Japanese colonial policy, had formed the backbone of the island's economy. The progress made on the island during the five years after V-J Day, was one of the most encouraging signs of the vitality and efficacy of Chinese efforts. He would refer only to some of the items, and that briefly.

32. The first aspect of reconstruction with which he would deal was that of financial stabilization. That programme had been embarked upon in earnest in the summer of 1949, when inflation had been general on the mainland owing to the impact of military exigencies. A new Taiwan currency had been introduced in place of the old one and put into circulation at an exchange rate of 40,000 to one. The new Taiwan dollar, as it was called, had been pegged to a definite international unit. The rate of exchange had been maintained, with practically no black market rate to speak of, for over one year, until the outbreak of the Korean War. In view of the alarming proportions assumed by inflation, which at that time engulfed the entire country, the monetary reform had undoubtedly been an important achievement, and had had a decidedly healthy effect on other economic developments on the island. Even during the critical period from the time of the beginning of the Korean War to the end of 1950, when the stability of the new Taiwan dollar, like that of many other things in East Asia, had been challenged, the new Taiwan dollar had managed to maintain its own, fluctuating at times, but not reaching a rate of more than twice its original value.

33. From the point of view of the economics of everyday life, the all-important matter in that connexion was price stabilization. It was true that prices had fluctuated during that period, but the fluctuations had never at any time approached the magnitude of those then experienced by the rest of the country. As most of those fluctuations had been in the categories of luxury articles and imported goods, they had not seriously affected the daily needs of the common people, the prices of which had been among the few things controlled by the government. Thanks to the success of the currency stabilization programme, price control had not proved too difficult.

34. Next came land reforms, which were perhaps the most outstanding achievement of Chinese social economy, and not only in Taiwan, where, during 50 years of Japanese colonialism, the landlords had had all the say and the farmers practically none. The farmers had been at the mercy of the landlords, who, as the owners of the land, had been able practically to dictate the terms of rentals. That problem had always figured prominently in Chinese social policy, but that policy had never been successfully carried out in full owing to the intervening vicissitudes of politics and war. Real attempts to put the policy into practice had been made in 1926. Then, in 1930, it had been formally included in the land laws promulgated by the Central Government. The difficulties of applying it, however, had been increased, first by internal military disturbances and then by Japanese aggression.

35. In 1949, the Government in Taiwan had revived those efforts. It had re-enacted in Taiwan a law promulgated by the government in 1930 providing that land rental should not exceed 37.5 per cent of the total yield of the land. That was now widely known as the "37.5 land-rental reduction" programme. Formerly the farmer had had to surrender as much as 50 per cent or even 70 per cent of his yield to the landlord as rent, now he had to pay no more than 37.5 per cent. In the year and a half during which that new programme, sternly enforced by the government, had been in operation, amazing successes had already been achieved. In 1949, rice lands in Taiwan had yielded 1,740 kilogrammes of rice per "chia", whereas the same area of land before had yielded only 1,175 kilogrammes. That represented an increase of 560 kilogrammes of rice per "chia", or between 30 per cent and 50 per cent.

36. He next dealt with production increases in Taiwan, and first with the increase in agricultural production. As agricultural products constituted 50 per cent of the total value of Taiwan's annual output, and rice accounted for about 70 per cent of the total agricultural produce, it was clear that the land reform programme resulting in the increased yield of the land briefly described above had a general economic significance almost as great as its social significance. Other important agricultural products, such as sugar-cane, tea, camphor, sweet potatoes, fruits, etc., had all shown substantial increases in output during the years 1949-1950.

37. Next to be considered was the increased output of minerals, of which Taiwan produced about eighty. They included gold, silver, copper, coal, aluminium and petroleum. Big strides had been made in 1949-1950. The position with regard to the production of coal had a direct bearing both on daily life and on general industrial production. At the time of the Japanese surrender, the total annual output of coal in Taiwan was 800,000 tons. Since the Chinese Government had taken over, production of coal had been gradually stepped up: it had risen to 1,050,000 metric tons in 1946; 1,300,000 tons in 1947; 1,600,000 tons in 1948; 1,800,000 tons in 1949; and approximately 2 million tons in 1950. Negotiations had been in progress in 1950 for the export of Taiwan coal to Korea, Thailand and some other East Asian countries, where there was a coal shortage.

38. He next referred to increases in Taiwan's industrial output, and first to the increase in the output of electric power. As modern industries were mostly based on electric power, the increase in Taiwan's electric power supply was perhaps a good gauge of other industrial tendencies. Electric power had been in abundant supply in Taiwan before the Second World War. The highest capacity in those days had been quoted at one thousand million kilowatts for the peak year 1933. Owing to the destruction caused by war, that had been cut down to 350 million kw. at the time of the Japanese surrender. Through repeated improvements, the supply had been brought back to 560 million kw. in 1947, and to 830 million kw. in 1948. In 1949-1950, efforts had been redoubled; and the pre-war level had almost been reached as a result of the construction of two new power



plants, the Tien-Fin hydraulic plant and the Li-Wu electricity plant.

39. Next to be considered were fertilizers, the supply of which was of paramount importance as they were an indispensable item in Taiwan's main economic pursuit, agriculture. Although Taiwan had its own chemical fertilizer plants before the Second World War, its annual output had never exceeded a meagre 20,000 tons. On taking over the island, the Chinese Government had at once made a serious effort to improve the situation. Production was at present approximately 5,000 tons a month, or 60,000 tons a year. Thus, the pre-war output had been tripled.

40. Another important commodity was textiles. As textile products were a necessity in the daily life of the people, the increased output was also noteworthy. During the fifty years of Japanese occupation, the textile industry in Taiwan had never gone beyond the capacity of 20,000 spindles. It had been even less than that when the Chinese Government had taken the island over. Now, after five years of improvement and labour, the Chinese Government had brought the total number of spindles in Taiwan up to about 50,000. That figure did not include spindles not yet in operation.

41. Approximately one-fifth of the total area of land under cultivation was being used for the production of sugar-cane. The sugar-refining industry therefore occupied a paramount position in the industry of Taiwan. In terms of sales value, refined sugar accounted for about 50 per cent of the whole industrial output of the province.

42. Owing to the vast destruction of refineries caused by the Second World War, the total annual output of refined sugar at the time of the Japanese surrender had been only 30,880 metric tons. After the Chinese Government had taken over and repaired the damaged plants, the annual output had been steadily stepped up from year to year. In 1949, Taiwan's sugar output had amounted to over 631,000 metric tons. That meant an approximately twenty-fold increase in production, or an increase of 2,000 per cent. In 1950, that figure had been slightly reduced as a result of the government's programme to increase the production of rice. The annual output had been about 612,000 metric tons. Nevertheless, Taiwan was still one of the important suppliers of the world's sugar, as would be apparent from a study of Taiwan's international trade.

43. The principal exports were sugar, tea, coal, citronella oil, camphor, lumber and fruits. Sugar and tea accounted for by far the major part of the export trade. Sugar exports in the first six months of 1950 had been valued at more than 40 million US dollars, and had been distributed over areas in Asia, Europe and North America.

44. Tea was a traditional Chinese export. Since the discontinuance of exports of tea from the rest of China owing to disturbed conditions, Taiwan tea had been in great demand on the international market. In September 1950, Taiwan's exports of tea had amounted to 720,876 kilogrammes, and in October of the same year to 916,978 kilogrammes. Those exports had been dis-

tributed over areas in Asia, Europe, Asia Minor, Africa, and North and South America.

45. Coal was mostly needed for the use of the growing industries, but there had been such an increase in output that exports had been reported for the year 1949-1950.

46. The improvement of labour conditions was an important factor in increasing production. There was nothing to compare in importance with the new overall social insurance policy for labour, which had been instituted by the Provincial Government of Taiwan. That kind of labour insurance was a new thing in China. It was a group insurance system, covering health, accidents at work, welfare and death — all kinds of insurance in one policy. The payment of premiums for such a policy was apportioned as follows: the policy-holder contributed 20 per cent, the employer 60 per cent, and the government the remaining 20 per cent. The amount of insurance and the premiums for each policy were based on a computation of the policy-holder's earning power. That system had been inaugurated in March 1950. Between the months of March and December 1950, a total of 559 industrial plants had joined the scheme. A total of 128,867 policies had been issued. During those first ten months of operation, a total of 5,886 cases had been settled, with the beneficiaries receiving the benefits due to them under their policies.

47. He then wanted to reply to the question: "Has China always been backward?"

48. Until the end of the eighteenth century, more books had been published in China than in the rest of the world put together. Furthermore, up to the end of the eighteenth century, China had been an industrial and commercial Power with a favourable balance of trade. European thinkers, from Voltaire, Diderot, Leibnitz and Goethe in the eighteenth century to Tolstoy at the beginning of the twentieth century, had shown a very sincere appreciation of the character of Chinese civilization. Tolstoy had written: "The Chinese are the oldest people in the world. The Chinese are the most populous people in the world. The Chinese are the most peaceful people in the world. They say: 'If a man claims that he is skilled in warfare, know that this man is a great criminal.'" In one of Tolstoy's letters to Gandhi, he had particularly revealed his appreciation of the philosophy of Lao-Tze. Tolstoy had shown particular appreciation for example, of the two following sayings: "Return good for evil" and "The good I treat as good but the bad I also treat as if they were good".

49. In conclusion, he would like to say that whoever attempted to fish in the troubled waters of the turbulent sufferings of the Chinese people would receive his due reward in the inevitable and invincible awakening of that people. In the consciousness of the Chinese people there was a very powerful force which might be described as "resilient humanism". Like the bamboo, it might be bent by the storm but it would never break. When the storm passed, as all storms did, it would once again continue its growth in straight height.

50. Mr. INGLES (Philippines) said he would like briefly to describe the economic situation in the Philippines so as to comply with the General Assembly's instructions of 12 December 1950, and because the Philippines was one of the Far Eastern countries covered by the *World Economic Report 1949-1950*. He would like to fill in certain possible gaps so as to give an accurate picture of the situation in his country.

51. The Philippines had suffered the worst devastation during the war, in proportion to the area. At the time of the liberation, the country's industry, trade and agriculture had been practically paralysed; the mines, sugar refineries, copra mills and factories had been in ruins. In fulfilment of its pledges, the United States had paid claims for the restoration of public and private property destroyed by the war. The rehabilitation of the country was far from complete, however, especially since it was necessary not only to reconstruct but also to carry out development programmes that would enable the people to raise their standard of living.

52. Turning to the Secretary-General's report, he pointed out that the index of agricultural and industrial production between 1949 and 1950 had risen from 91 to 96 by comparison with 1937. The production of certain foodstuffs, on the other hand, particularly rice, the country's staple food, had risen above the pre-war level, though the *per capita* consumption was less than before the war owing to the increase in the population. It was calculated that the country would be self-sufficient in rice in five years' time, for the area under cultivation was continuously increasing and efforts were being made to improve production by irrigation, farm mechanization and the use of fertilizers. The production for export of minerals, metals, sugar, abaca, pineapples and coconuts had also increased by comparison with 1949. Notwithstanding the constant increase in production, the rehabilitation of the country was not yet complete.

53. Since the end of the last war, the economy of the Philippines had also suffered from an adverse balance of trade. The payments made by the United States since the war, which had considerably reduced the adverse balance in the past, were no longer a factor to be reckoned with in the future. The tightening of import and exchange controls, as well as the imposition of credit restrictions at the end of 1949, had made it possible to check the decrease in reserves of foreign currency. Since 1949, imports had declined by 35 per cent. The restrictions had affected consumer goods, whilst imports of raw materials and capital goods had continued to increase. Exports, on the other hand, had increased by 26 per cent, a circumstance which had reduced the deficit in the trade balance to 93 million pesos in 1950 as compared with 629 million in 1949. During the first half of 1950, demand deposits had increased by 71 million pesos. There had been a general increase in the retail prices of imported consumer goods, the supply of which had been curtailed. The retail prices of domestic produce, on the other hand, had gone down, together with the wholesale prices of export commodities. To combat inflation, the government had had to fix ceiling prices for commodities of prime necessity.

54. Thus, it must be said that the beginning of 1950 had shown a tendency to inflation which, in spite of some fluctuations, had become more marked owing to the outbreak of the Korean war. The conflict in that country had caused an increase in demand which in turn had produced an increase in the prices of export and import commodities of primary importance and in the prices of local goods. Bank credits also had expanded, and there had been an increase in reserves of foreign currencies. The fact that the currency circulation had risen from 513 to 613 million pesos in September 1950 was the best proof of the inflationary tendency in the country.

55. The government's budgetary deficit had increased as a result of a fall in tax collections occasioned by the drop in imports and not by a drop in exports as the passage in chapter 3 of the report concerning the Philippines seemed to imply. Internal revenue, being derived chiefly from taxes on business, was highly sensitive to changes in the volume of trade. The government, which had curtailed its regular expenditure had once again been obliged to provide credits for extraordinary expenditure due to internal disturbance, and had had to seek outside assistance. In that connexion he would like to pay particular tribute to the International Monetary Fund for the understanding and co-operative spirit it had displayed. On 1 January 1951, the Executive had put into effect a plan for the reorganization of government services designed to secure greater efficiency and economy. New fiscal legislation was being prepared, the loans obtained by the government being only a temporary expedient which was necessary until such time as the results of the new fiscal system made it possible to balance revenue and expenditure.

56. He wished to point out to the USSR representative that the extraordinary expenditures which the Government of the Philippines had been obliged to undertake were not due to economic causes: subversive elements had infiltrated into the country and sought to indoctrinate a certain section of the population and teach it techniques of disturbing public order. The aggression committed in Korea had made the Philippines still more conscious of the threat hanging over the free world, and the government had therefore decided to strengthen the country's defences. He thought the USSR representative should know that the temporary financial difficulties with which the Philippines was at present faced were largely due, not to what he called American imperialism, but to another imperialism which was now being let loose on Asia.

57. The total agricultural production and production of the manufacturing and extractive industries were constantly increasing. Economic development programmes had been initiated with a view not only to rehabilitating the pre-war industries but also to developing them. The Philippines was concerned as to how far the increased demand for strategic raw materials induced by the international situation would affect national economic development programmes. Industrial projects which were still pending because of lack of capital seemed farther away from realization with the expected shortage of capital goods. The Government of

the Philippines had tried the usual methods of curbing inflation, but considered that the measures adopted by individual governments should be supplemented by international co-operation.

58. Proceeding to consider the situation of the under-developed countries in relation to the rearmament programmes of the great Powers, he recalled that the representative of Chile had pointed out that those countries were more or less obliged to devote their energy to the production of strategic raw materials. Greater than the danger of loss of markets which would face them upon a return to normalcy, would be the perpetuation of a colonial economy which would condemn them to be mere suppliers of raw materials for the mills and factories of the highly industrialized countries. The Non-Self-Governing and Trust Territories were particularly exposed to that danger for, in most cases, their populations had no say as to the form of their economic development, or they woke up too late to be able to do anything about it.

59. The Philippine delegation therefore hoped that action would be taken to encourage the production not only of strategic raw materials but also of foodstuffs by promoting a diversification of the economy and industrial development. In that connexion, he pointed out that the distinction between developed and under-developed countries amounted in the last resort to a distinction between industrialized and under-industrialized countries. The only way of bridging the gap was to industrialize the under-developed countries. The measures calculated to secure such a development might perfectly well be adopted within the framework of international collaboration provided for in the Charter of the United Nations. In that connexion, he would add that the economic strength of the free world would count for nothing if the economies of the countries of which it was composed were not likewise stable and strong.

60. The Philippine delegation was therefore heart-

ened by the statements of the United States representative to the effect that expansion of production, even of goods unrelated to the military programme, could, by improving economic and social conditions, contribute to the common security. It was also encouraged by the assurance of the Government of the United States that it would provide technical and financial assistance to help in expanding production in other countries. Military requirements had, of course, the prime claim which might lead to a revision of those programmes of assistance. He hoped that that would not be necessary, however, and was more optimistic than the Indian representative in that connexion. Without belittling the importance of the aid which the Philippines had already received from the United States, he would like to point out that, of the 26,000 million dollars which the United States had contributed in the form of assistance up to the end of 1949, only 2,600 millions had been reserved for the countries of the Far East, although that region possessed almost half the population of the world and was composed chiefly of countries where the *per capita* income was the lowest in the world.

61. The Philippines had also been very much perturbed when, at the most critical moment of the Korean campaign, it had been suggested that the defences of the free world should be contracted. He was glad that that suggestion had not been acted upon. The people of the Philippines were prepared to make sacrifices on behalf of the common effort, as they had shown during the last war, but they hoped their interests would not be neglected. The Philippine delegation hoped that the irresistible march of events in the Far East, which were shaping the destinies not only of that region but of the entire world, had sufficiently demonstrated that the defence of the free world required not only the strengthening of the traditional citadels of western civilization, but also the building up of the beleaguered outposts of democracy wherever they might be.

The meeting rose at 1.5 p.m.