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**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, Food and Agriculture Organization of the United Nations, United Nations Educational, Scientific and Cultural Organization, International Bank for Reconstruction and Development, International Monetary Fund, International Telecommunication Union.

**Hearings of non-governmental organizations: report of the Council NGO Committee (E/1928)**

[Agenda item 28 (b)]

1. The PRESIDENT said that the Council would consider the report of the Committee on Non-Governmental Organizations only in so far as it affected item 3 of the agenda ("World economic situation"). The Committee had recommended that the Council should hear four non-governmental organizations in connexion with item 3: the International Confederation of Free Trade Unions, the International Co-operative Alliance, the World Federation of Trade Unions and the World Federation of United Nations Associations.

2. Mr. BURINSKY (Union of Soviet Socialist Republics) objected to the recommendation that the Council should hear a statement from the so-called International Confederation of Free Trade Unions. The Council's decision to grant that organization consultative status in category A was illegal since it had been taken in the absence of the delegations of

Czechoslovakia, Poland, the Union of Soviet Socialist Republics and the People's Republic of China and in the presence of the representative of the Kuomintang clique. His delegation could not accept that illegal decision, and would therefore vote against the Committee's recommendation on that point.

3. Mr. KATZ-SUCHY (Poland) requested that a separate vote should be taken on the recommendation that the Council should hear the so-called International Confederation of Free Trade Unions. His delegation had never objected to the Council's hearing an organization on the grounds of the nature of the organization itself. It would be remembered that, in the past, he had not opposed recommendations that the Council should hear the American Federation of Labor. In the case at issue, however, the decision of the Council by its resolution 287 A (X) to grant the organization concerned consultative status in category A had been illegal for the reasons explained by the USSR representative. His delegation could not therefore accept that illegal decision or recognize the organization's consultative status.

*The Committee's recommendation regarding the ICFTU was adopted by 15 votes to 3.*

*The remainder of the Committee's recommendations relating to item 3 of the agenda were adopted without discussion.*

**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)**

[Agenda item 3]

4. The PRESIDENT recalled that the world economic situation appeared regularly on the Council's agenda each year in accordance with General Assembly resolution 118 (II). During the current session however there was a new General Assembly resolution to be taken into account. In its resolution 406 (V) of 12

December 1950, the General Assembly had requested the Council, "when examining the world economic situation during its twelfth session, to pay special attention to changes currently taking place in the international economic situation, with a view to recommending to governments and to the General Assembly measures designed to make possible the uninterrupted progress of programmes of economic stability and development". At the same time, members of the Council and all the other Members of the United Nations had been asked to submit their views to the Council concerning the way in which the current world situation had affected their economic progress and prospects of continuing world economic expansion. Some replies on that point had been received and circulated in document E/1912 and the addenda thereto.

5. In connexion with item 3 the Council had before it the *World Economic Report 1949-1950* (E/1910) with appendices dealing particularly with Africa (E/1910/Add.1) and the Middle East (E/1910/Add.2). It also had the *Review of International Commodity Problems 1950*<sup>1</sup> (E/1907). There was also a paper submitted by the ICFTU on international action for the stabilization of prices of primary products (E/C.2/280).

6. The world economic situation was one of the most important items before the Council. He was well aware that representatives would be obliged to refer to the underlying political causes of various developments in the economic field. He hoped, however, that such references would be kept to the minimum and that the Council would remember that its basic task was to find some concrete solutions for the various problems confronting it. Only by so doing would it live up to the high hopes and expectations of the peoples of the world.

7. Mr. BORIS (France) pointed out that his delegation had not received the French translation of some of the basic documents on item 3. He had no wish to restrict the field of the discussion, and it was natural that representatives should refer to the *World Economic Report 1949-1950* and the two additional documents containing a review of economic conditions in Africa and the Middle East. He did not think, however, that those documents should be made a basis for detailed discussion or the object of resolutions until the French texts had been circulated.

8. The PRESIDENT said that it was not in his power to limit the discussions of the Council. Any representative was quite free to refer to all the documents which were made available to the Council to assist it in its discussion. When the time came for the submission of draft resolutions, then the Council could decide whether or not it would discuss draft resolutions based on the documents to which the representative of France had referred.

9. Mr. FREI (Chile) emphasized the importance of economic co-operation on the international plane, without which no nation could solve its economic problems. As a first objective the peoples of the world were striving for a higher standard of living. This was

not possible without economic co-operation to bring about a better distribution of income and an increase in the volume of production and investment throughout the world.

10. The second objective was the achievement of economic stability. The peoples of the world had a right to employment at any given time. Furthermore, they should not have to live in fear of the danger of inflation which would reduce their real income and result in an inequitable redistribution of income. In general, the lack of economic security was the result of basic economic decisions taken by the great Powers both in their domestic fields and on the international level. The under-developed countries, such as those in Latin America and Chile in particular, had had bitter experience of the meaning of the insecurity brought about by unemployment and inflation. It was sufficient to mention as an illustration the depression of 1931. Subsequently, when Chile had been in the process of attempting to recover from the tragic results of the depression, the Second World War had again disrupted the country's economic life.

11. During the war, Chile had been unable to obtain the essential goods it needed for its development and the price of the goods it exported had been fixed at a level which bore no relation whatever to the new price level on the world market. Thus Chile had suffered from the primary effects of inflation and had to make a disproportionate contribution without hope of recovery in the post-war period.

12. As was clear from the Secretary-General's report, during the post-war period, all countries had suffered an adverse balance of trade with the United States of America and their deficits in balance of payments had to be financed by a depletion of their exchange reserves, by liquidation of private investments and government loans. The deterioration had reached its peak early in 1948. It was obvious that the disequilibrium in the balance of payments was not a temporary phenomenon but reflected a fundamental structural disequilibrium in the international exchanges between the under-developed countries and the highly developed countries such as the United States. As the Economic Commission for Latin America had pointed out, in the long run prices of manufactured goods tended to increase at a greater rate than those of raw materials; that amounted, in substance, to a secular contribution by the under-developed countries to the standard of living of the developed countries. At times, during periods of cyclical fluctuations, the process was aggravated still further by political action, such as the freezing of the prices of raw materials. The price of copper, for example, had been frozen during the Second World War at a time when production had been subsidized and copper prices were higher on the internal market in the United States.

13. The consequence of that loss of real income suffered by the Latin American countries, was that the loans they received did not suffice to offset the results of the adverse terms of trade.

14. Instead of achieving greater independence, under-developed countries had to depend more and more on international trade. Furthermore, because of the lack of

<sup>1</sup> United Nations Publication, January 1951, Sales No. 1951.II.D.1.

private capital, the state itself had to finance the most important undertakings of economic development, thus budgets were inflated and forced savings were induced through the pressures of inflation. In addition, as a result of its increased participation in development programmes, the states had to seek new sources of income through exports of raw materials; thus any fluctuation in trade had direct repercussions, not only on the country as a whole, but also upon the finances of the state. Under-developed countries therefore became even more dependent upon external factors.

15. That description applied not only to Chile but to the whole of Latin America, as could be seen from the reports of the Economic Commission for Latin America and the conclusions of the report of the Secretary-General. In its *Economic Survey for Latin America, 1949*, ECLA had emphasized the fact that the import capacity of Latin America had not kept pace with the increase in its population, and that the process of economic development required a larger increase. There was thus a tendency towards a persistent disequilibrium.

16. At the previous session of the Council, the representative of France had cited figures (400th meeting) illustrating the continual deterioration in the terms of trade for the countries of Latin America. The continent's exports had increased by only 16.3 per cent between the years 1924 and 1949, while the population had increased by 44.3 per cent during the same period. The Secretary-General's report confirmed that the situation had not changed.

17. To give a concrete example of what had happened in the case of Chile the following figures might be quoted. Between 1920 and 1930, at a time when there had been no International Bank for Reconstruction and Development, no International Monetary Fund and no technical assistance programme, Chile, with its population of approximately four million, had received over 500 million dollars in loans and 3,856 million dollars of much higher purchasing power from its exports. Between 1942 and 1950, with all the development programmes and all the special organizations created to assist development, its exports brought in only 1,800 million dollars ready for use and it had received only 120 million dollars in loans, while the population of the country had increased to six million. How, under such conditions, was it possible to achieve economic stability, a higher standard of living and confidence in the democratic way of life?

18. The under-developed countries of Latin America were nevertheless doing their utmost to overcome their difficulties and were engaging in efforts to diversify and develop their economies. The report of the Secretary-General showed that Chile, as well as the other countries, made a maximum use of its resources for development purposes.

19. The general trend was, however, unfavourable. It was stated in a recent ECLA report that, in 1948, the most representative post-war year, the volume of exports had decreased by 22.5 per cent while that of imports had increased by 24.2 per cent. At the same time, the prices of imports had increased by 11.6 per

cent while the prices of exports had only increased by 8.4 per cent. The report went on to state that the situation had been worse in 1949 but that there had been a slight improvement in 1950.

20. Again, taking Chile as an example, the figures showed that in the years 1942 to 1947, credits received were not sufficient to cover the payment of interest and amortization on its debt. Only in 1948 and 1949 did the figures show a credit instead of a debit balance. In addition, the terms of trade had constantly deteriorated since 1937, falling from 100 in 1937 to 65.6 in 1948; thus while in 1937 the country would have been able to finance the import of 100 units by the export of 100 units, it could now obtain only 65 units of imports in exchange for 100 units of exports. Thus, while the country was doing its utmost to develop its economy, its efforts were being constantly handicapped by the maladjustments in its exchanges with the rest of the world.

21. At the same time, as stated in the Secretary-General's report, the loans received by the countries of Latin America had been quite inadequate to meet their needs. Those received from the International Bank for Reconstruction and Development had amounted to 36 million dollars in 1949 and to approximately the same amount in the first months of 1950.

22. It was quite clear that the under-developed countries could not develop their economies with private capital alone. During the fifth session of the General Assembly, many representatives had stated that the flow of private investments was decreasing and could not be relied upon as a solution to the problem. Some had expressed the view that the decline in the flow of capital was due to a lack of adequate security, but it was interesting to note that the phenomenon had occurred on a global scale and not only with respect to one given country. The representative of Brazil at the General Assembly had reflected the views of the under-developed countries when he had stated that it would be a grave mistake to rely on international private capital to finance the economic development of under-developed countries. Naturally, the under-developed countries could do a great deal to remedy mistakes and defects of an internal nature, but the attention of the Council should be drawn to the adverse international factors, such as the adverse terms of trade and the instability of their exports.

23. The next thing to consider was how the recent changes in the world economy would affect the situation which had been described. As a result of rearmament, the United States had considerably increased its purchases of goods, services and particularly raw materials abroad. As a result, more dollars were currently available in the international markets. With some differences, that was a repetition of the period 1941-1945. The same thing also applied to the sterling area. The situation had consequently improved in the countries which were exporters of raw materials, but that should not give rise to undue optimism. The Chilean delegation had outlined the potential dangers of the situation during the fifth session of the General Assembly.

24. The situation was the following: In the first place, those countries accumulated foreign currency, particularly dollars, which could not be spent. That would give rise to an increase in inflationary pressures. Economic instability ensued with a decline in the real value of money. In the second place, it became more and more difficult to obtain the raw materials and capital goods needed for economic development. Thirdly, the terms of trade would tend to become more and more favourable to the highly industrialized countries. While fixed prices were set for certain raw materials exported by the under-developed countries, those countries were finding it more and more difficult to obtain the goods they needed from the industrialized countries, and particularly from the United States; at the same time, the prices of the goods exported by the industrialized countries were not fixed and were constantly rising. Fourthly, the under-developed countries were being forced to concentrate their man-power and capital on production of strategic raw materials just at a time when they should be attempting to diversify their economy. Fifthly, the under-developed countries were anxious that the situation which had occurred during the Second World War should not be repeated. That situation had been characterized by the control of prices of the raw materials produced by the under-developed countries, by the accumulation by those countries of foreign currency which they could not spend immediately and by the subsequent depreciation in the value of assets thus accumulated causing considerable losses to the countries concerned.

25. The process resulted in the development of very grave dislocations for particular countries. The English magazine, *The Economist* had published a comparative table of prices taking the figure 100 as the basis for 1949 and showing that by January 1951 the price of cotton had risen to 142.8, the price of wool to 284.5, the price of tungsten to 475.7, the price of rubber to 426.7, and the price of copper to only 132.4. In the case of copper, however, which was controlled, its price had risen only by 6 to 7 cents.

26. Out of the income received from its exports of copper, Chile had to purchase other raw materials and consumer goods, the prices of which had increased in a totally disproportionate manner. If it succeeded in piling up exchange reserves it would eventually have to use them to purchase machinery and there again the price was rising constantly. Such a situation was obviously unjust and something must be done to remedy that state of affairs. Either there should be universal control and ways should then be sought to compensate the affected parties, or there should be a free market for all.

27. He fully understood how the United States and other great Powers were being forced by reasons beyond their control to rearm at the cost of much sacrifice. Chile was well aware that those countries were doing their utmost to maintain peace and democracy, and it would certainly not refuse to play its part. Nevertheless, it would find it easier to collaborate if it could be reassured that it would subsequently have the same chance of economic development as other countries.

28. Consequently, the Chilean delegation had certain concrete proposals to make.

29. In the first place, there should be a general regulation of the prices of certain basic raw materials which provided the main source of income for certain under-developed countries. The control should be multilateral and its main purpose should be to avoid that the rearmament programmes should lead to an aggravation of the disequilibrium between the prices of raw materials available in the under-developed countries, and the prices of industrial equipment produced by the more developed countries. Such a control could be the responsibility of the International Monetary Fund since it was one of the Fund's basic purposes to achieve stable monetary systems. Thus far the Fund had rather concentrated on granting credits for financing developments and such credits were often not sufficient to compensate for the losses incurred as a result of the adverse terms of trade.

30. In the second place, there should be some guarantee that the foreign currency reserves accumulated by under-developed countries would retain their real value at the end of the emergency. Such a guarantee would be the only possible justification for the compulsory savings which this accumulation imposed upon these countries.

31. In the third place, the under-developed countries should be assured of a sufficient quota of equipment and other capital goods from the industrialized countries so that the economic development programmes would not have to be checked. In that way it would be possible to maintain a minimum annual rate of investment. It was also essential that the under-developed countries should be guaranteed a certain quota of raw materials and essential consumer goods at all times. Otherwise there would be economic dislocations with consequential social unrest as the result of the lowering of the standard of living of the population.

32. In the fourth place, any credits granted should be assessed at their real value, because, in a period of emergency, what countries needed was physical goods and not monetary values.

33. Lastly, the Council should request the Secretary-General to set up a committee of experts to consider the problems which would face the under-developed countries at the end of the emergency. Those countries would probably find at that time that raw materials would account for an even greater proportion of their exports than usual, so that any decline in prices or demand would have considerable repercussions, with a resulting threat to economic stability.

34. In conclusion, whatever the result of the debate might be, the Council had taken a great step forward in embarking on an analysis of the effects of the current international situation on the world economic structure. The Council should continue in that work and, although it might be slow in achieving results—for no great change could be brought about precipitately—he felt sure it would not fail the people of the world who put their trust in it.

35. Mr. LUBIN (United States of America) said that the world economic situation during the past year had been affected by the world political situation. After the Second World War, the peoples of the world had hoped that their governments would co-operate through the United Nations in maintaining the peace and in promoting economic and social progress. Those hopes had, however, been thwarted by aggression and threats of aggression in different parts of the world. The free peoples of the world had now only one course open to them: they must build up their defensive strength, and take a collective stand to deter aggression so that nations might then once more disarm and devote themselves to peaceful economic co-operation within the framework of the United Nations.

36. In the light of the above considerations, he wished to survey the economic situation in his country stressing how it was affected by the world economic situation.

37. Since the middle of 1950 both the economic situation in the United States and the economic programme of its government had undergone important changes as a result of its defence programme designed to deter potential aggression. The United States Government did not assume that war was inevitable, nor did it seek to develop a war economy. It was striving rather to increase its defensive strength for some time to come by building up its armed forces, reserves of man-power and productive capacity.

38. The long-range defence programme of the United States and other free nations necessarily altered the priority of many desirable programmes, and the speed with which they could be implemented. At the same time, it called for long-range economic and social progress both in the United States and in other countries. The recent economic growth of the United States made the continuation of such economic development programmes possible. Indeed, during the past decade, the total output of the United States economy had risen by more than 50 per cent; the gross national production, measured in 1950 prices, had gone up from 184,000 million dollars in 1948 to 280,000 million dollars in 1950. The number of civilian employees had risen from less than 48 million to 60 million; at the same time there had been a steady improvement in equipment. Oil refining capacity had increased by 40 per cent; electrical power capacity, by 65 per cent; steel capacity by 20 per cent — bringing the production of steel to over 100 million tons. The amount of farm equipment had more than doubled, and the proportion of farms which had electricity had risen from 34 per cent to 86 per cent. The progress made in the second half of the 1940's was especially impressive in view of the many forecasts of a depression. After Japan's surrender, the United States had demobilized with dramatic speed, cutting its armed forces from over 12 million men in 1945 to 1,300,000 men in 1947. These millions of people had been absorbed into peace-time occupations by a rapid expansion of civilian economic activity with a tremendous investment in plant and equipment by private business. Between 1945 and 1950 the total manufacturing capacity had increased by more than 25 per

cent, the increase being much higher in certain basic industries.

39. The brief and moderate recession in 1949 had been followed by quick recovery, further expansion of economic activity, record industrial production and increased civilian employment. The fact that recovery was well on the way to completion by June 1950 had shown the resiliency of the United States economy. As pointed out in chapter I A of the *World Economic Report 1949-1950*, the recovery had partly been the result of certain government measures such as the liberal credit policy which had stimulated residential construction. The recovery had not been due to increased exports — indeed, as shown in the Secretariat report, there had been a drop in exports of goods and services — or to the accelerated defence programme; at the time of the North Korean attack upon South Korea the United States economy had been at a peak level.

40. The six months following the North Korean aggression had been marked by rapid economic adjustment to a grave international situation and security requirements. Business and consumer spending had increased out of proportion to defence spending, because sellers and buyers had anticipated scarcities and higher prices. In the second half of 1950 the physical quantity of total national output — and particularly industrial production — had increased substantially. Private domestic investment in construction, equipment and additions to inventory had reached a record figure, equal, on an annual basis, to about one-fifth of the total national production. Personal incomes had grown during that period, and there had been a modest increase in consumers' real purchasing power, notwithstanding rises in retail prices and federal taxes. The income of labour had also risen in 1950 and in many cases the higher wages achieved by collective bargaining had considerably exceeded the increase in the cost of living.

41. Pension and other welfare plans obtained through collective bargaining had continued to increase throughout 1950. He pointed out, in that connexion, the recent United States legislation providing for a wider application of the Social Security Act; under that legislation, benefit payments were raised by approximately 78 per cent, with increases ranging from 50 to 100 per cent. An additional 10 million persons had been brought into the Old Age and Survivors Insurance System; total coverage was thus increased to 45 million workers — almost three-fourths of the civilian labour force. In addition, seven and one-half million persons were covered by various other public retirement systems. The new amendments to the Social Security Act also provided for additional funds for state and local maternal and child health and welfare services.

42. It was therefore clear that the rearmament programme had in no way undermined or affected the country's social welfare services.

43. He then turned to the immediate implications of the defence programme. It was expected that the defence expenditures, running at the end of 1950 at the annual rate of 20,000 million dollars or approximately 7 per cent of the total national output, would reach a rate of over 45,000 million dollars a year, or about 15

per cent of the total national output by the end of 1951, as compared with a peak of 45 per cent during the Second World War. Defence production could therefore be increased considerably if total war should make that necessary.

44. Although the current United States defence programme was far from what total mobilization would require, it would nevertheless have a great impact on its economy; defence production would have to be increased rapidly, and as a result, non-essential goods and services would have to be reduced. In short, the defence programme would involve substantial shifts in the use of resources, inflationary pressure and considerable sacrifice on the part of the country.

45. The defence programme also had a number of long-range implications. The free world must increase its power to deter, or if need be, resist aggression until there was a reasonable assurance of lasting security. Moreover, it was necessary not merely to maintain a certain supply of weapons and personnel capable of using them, but also to improve the weapons and to have a trained man-power reserve. That in turn called for a strong economy with an industrial potential capable of continuous improvement and expansion. Great emphasis must therefore be placed on investment in an enlarged production capacity, with the necessary reduction in non-essential civilian production in the period immediately ahead. Lastly, every effort must be made to protect, develop and improve the free economic, social and cultural institutions which the security programme was intended to protect. At the same time, the productive facilities and techniques of developed and under-developed countries must be improved, as they were an essential element in the strength of nations, even though such programmes might not yield immediate results.

46. It was clear therefore that while some order of priority would have to be established in the implementation of economic and social programmes, military and non-military programmes were not necessarily mutually exclusive. The assignment of priorities must be much more selective than an over-simplified distinction between defence and welfare.

47. In the light of the above considerations, the United States Government was pursuing three domestic objectives: first, expanding and strengthening total productive resources, including man-power; secondly, ensuring rational use of existing resources for military, industrial and civilian needs; and thirdly, preventing inflation.

48. As regards the first objective, the United States hoped to increase its total production by approximately 7 per cent during the current year, and by about 25 per cent during the coming five years. Such expansion called for an increased number of civilian employees. Being already close to full employment, the country would either have to raise the number of hours of work, or increase the number of available workers. While it would be necessary to lengthen the work week in some industries, in general the government preferred first to utilize the small remaining margin of unemployed and to attract additional workers — particularly women,

— to the labour force. Thus, it was hoped that in spite of the growth of the armed forces, the labour force which now numbered over 60 million workers could be increased to 65 million by 1954. In addition the government hoped to increase the productivity of each worker; to that end President Truman had recommended improving and expanding essential health, education, welfare, housing and community programmes, showing once again that military and non-military needs were closely interconnected. Continued private investment would also contribute to the expansion of essential industries. To further that expansion in selected industries, the government had already instituted certain measures such as long-term loans to private industry, and had accelerated amortization of investment expenditures for tax purposes. In addition, care was being taken to allocate defence contracts and scarce materials to new and smaller producers so as to broaden the industrial potential for sudden all-out production, should that become necessary. The President, furthermore, had requested authority to supplement that programme by government construction of productive facilities in cases in which the necessary private investment was not forthcoming. During the next few years, special attention would be given to expanding the production of the basic materials necessary for defence weapons; expansion in capacity of iron and steel would amount to about 20 per cent, up to 117 million ingot tons, and production of aluminium would be increased by 50 per cent. The President had proposed the construction of the St. Lawrence Seaway between the United States and Canada by which iron ore could be brought to the United States, and which would also expand capacity for generating electric power. Agricultural production, which formerly had exceeded needs, was now being expanded, and care was taken to provide the farmers with the necessary fertilizers and machinery. Many of those expansion programmes were of a long-term nature.

49. The second broad objective of the domestic economic programmes of the United States was to redirect the use of existing resources. The United States Government was convinced that efficient man-power utilization could continue to be achieved by a free labour market. It was taking all possible steps to remove obstacles to labour mobility. It was expected that the willing co-operation of free organized labour and business groups would make controls unnecessary. In that connexion, the programme of resources and requirements which was now being developed was also of great importance. Commodities such as aluminium, cobalt, cadmium, copper, nickel, rubber, steel, tin and zinc had already been subject to priorities or allocations with consequent cuts in ordinary civilian uses. The production of some types of consumer goods — particularly certain kinds of consumer durables — would be radically curtailed. He gave some examples of reductions which had been made or were being contemplated. With those and other reductions, a decline in total real consumption in the United States during the coming two years was to be expected. It had not yet been necessary to undertake a consumer rationing programme nor did consumer rationing seem imminent. The necessary action would, however, be taken when

ever it became necessary to ensure the fair distribution of essential consumer goods in short supply and to protect the workers' standard of living.

50. The third objective of the United States economic mobilization policies was to halt inflation and thus to forestall the disruption of production which was an inevitable consequence of inflation. It was also essential to prevent an inequitable distribution of the burdens of defence, and in particular to protect the standard of living of those who needed protection most. He pointed to several types of control being used to halt inflation. The demand for particular commodities needed for defence was being reduced by a programme of strict collective controls of consumer and mortgage credit. Those controls, together with the direct controls of materials, resulted in restraining the demand for consumer goods, particularly for durable goods. Normal civilian demand for certain commodities might be further curtailed by higher excise taxes. In order to meet general inflationary pressures, the United States was using indirect controls such as taxation, banking policy and savings programmes as well as direct control of prices and wages. The anti-inflation programme placed particular emphasis on indirect measures, particularly on taxation. By levying higher taxes it was possible to prevent the accumulation of large amounts of liquid assets which might give rise to inflation in the future. Steps had been taken to levy such taxation on a pay-as-you-go basis. General credit control was also being used as part of the anti-inflation programme. In the field of prices and wages a general freeze order had been issued as an interim measure. Price regulations with regard to particular commodities and a more selective wage policy were being developed. In the working out of the machinery and standards to ensure fair and orderly adjustment of prices and wage rates, the views of employers and workers were taken into consideration.

51. He then considered the international aspects of the economic policies of the United States. The strength of his country was bound up with the strength of the other free nations both in the immediate and in the more distant future. The economic programme was being formulated in the light of the combined military programmes of all the free nations and of their combined needs, productive resources and potentialities. The foreign aid programme like the domestic programme served important purposes and must be continuously reviewed and adapted to changing conditions. The joint strength of the free nations required not only military strength but moral and economic strength and unity of purpose; those factors had to be taken into account when determining the order of priority of the various programmes.

52. The immediate need for stronger defences together with the greatly increased strength of the resources of the free world made it necessary to reappraise and in some cases to alter his government's assistance programme. It would not now be possible to progress as rapidly as his country would like either in aiding other countries or in certain domestic fields. That was the consequence of the fact and threat of communist aggression.

53. Recent events had conclusively shown that that threat affected all nations. It must be recognized that without military strength to resist that threat there could be neither progress nor common security and freedom. Halfway defence measures would only make the task of establishing real security more difficult.

54. The first task was to expand the production of commodities which were likely to be scarce in relation to vital demands. That meant concentrating on expansion programmes yielding prompt results in the form of many military items and raw materials. The development of the productive capacity of the free countries would help the defence effort and indirectly improve their economic strength. Recognizing that fact, the United States Government was prepared to provide technical and financial assistance to help expand production in other countries.

55. The second task was to utilize existing resources efficiently. It was certain that there would be some severe shortages, sharp price rises and maldistribution of supplies. International co-operation was needed to improve the distribution of important products in short supply, so that non-essential uses in some countries did not interfere with essential uses in others.

56. For that purpose the United States had joined in creating an International Materials Conference, which included representatives of both producing and consuming countries. The first of those committees, concerned with copper, lead and zinc, was currently meeting in Washington. A sulphur committee was also meeting, to be followed by meetings of committees on cotton and cotton linters, tungsten and molybdenum, manganese, nickel and cobalt, and wool. Altogether, at least 23 countries would take part in those meetings.

57. The United States recognized that the commodity requirements of other countries would have to be taken into account in the operation of its domestic controls, and especially export controls. The latter were being used to protect the national security and to limit the inflationary impact on the domestic economy of exports of commodities in short supply. During the Second World War the United States had helped friendly countries to maintain their economic stability by recognizing and providing for their essential needs. In the present emergency, the needs of friendly and co-operating countries would again be given full consideration. Every attempt would be made to ensure that export licenses would be available to them.

58. However, the present policy of restricting exports in cases where the importing country was shipping identical or equivalent goods to aggressors and potential aggressors would be continued.

59. Priorities and allocations within the domestic economy would be co-ordinated with the commodity requirements of friendly countries, while the non-essential domestic use of some commodities would be curtailed. Priority or allocation controls would also be applied so as to avoid taking more than a fair share of world imports, and in order to make goods available for necessary exports.

60. The rise in prices of goods imported by the United States had been much greater than the rise in the prices of its exports. In terms of average unit values, which lagged far behind current market prices, the average price of United States imports had risen 23 per cent between the first half of 1950 and the preceding December. Unit values of exports had risen much less. The increase for all exports between the first half of 1950 and December had been only 11 per cent.

61. The United States was prepared to negotiate through the international commodity control organs with the producing and consuming countries in order to limit price increases in important scarce commodities during the present emergency. If inflationary rises of goods moving into international trade were to be restrained, action to restrain them must also be taken by individual governments. The United States had recently established controls of the prices of most goods and services, both for domestic use and for export, by freezing the prices at their December 1950 to January 1951 level.

62. The present programme differed from a war programme. When the prices had been frozen in the United States in 1942, the world market prices of important raw materials had been relatively low. When they had been frozen six weeks previously, they had been at a peak level. The ratio between average United States unit values of import and export prices then appeared to have been very favourable to foreign suppliers. The December 1950 ratio of import to export unit values was 46 per cent more favourable to suppliers of United States imports than in 1943, the war year which had been most favourable to them, and 11 per cent more favourable than in the first half of 1950.

63. The present price ceilings in the United States would undergo changes; whatever changes were made, export prices would be controlled so long as domestic sales prices were.

64. He expressed the hope that other governments would act in a similar way. A factual study of the United States export control during the Second World War showed that a considerable part of the price increase that consumers in other countries had had to pay on goods imported from the United States had resulted from profits added to those goods after they had left the shores of the United States.

65. The immediate problem would not merely concern prices. The availability of certain types of goods, particularly capital goods, would be equally important. It would appear, however, that the assumption that shortages would be as acute as they had been during the period of the Second World War was unfounded. In the first place, the proportion of the United States resources to be devoted to defence was expected to be far smaller under present plans than the proportion then devoted to war, while the absolute level of the gross national product that the United States expected to attain within the next few years would exceed the absolute levels prevailing during the Second World War. Second, most of the countries of Western Europe were in a better position to export capital goods than

they had been during the war period. At that time the industrial output of Germany and Japan had not been available to under-developed countries. Third, the shipping situation was infinitely more favourable at the present time than during the war years; and finally, some of the under-developed countries had a greater industrial capacity than they had enjoyed ten years previously, and consequently were less dependent upon the imports of certain commodities.

66. The factors enumerated did not, however, alter the fact that there would inevitably be shortages. The costs of defence would be great, both in terms of time and money, and in the disruption of peaceful pursuits and the slowing down of social progress. Security and the need for common defence had the first claim on the economic resources of the free nations; less urgent claims, however important, would have to be deferred until the threat of aggression had subsided or until aggression itself had been repulsed. The United States regretfully recognized that fact, and looked forward to the time when nations would be freed from the fear of aggression and the burden of armament, and when it would be able to join many other Members of the United Nations in a greatly expanded programme of economic development.

67. The people of the United States considered their economic and political system well suited to such a programme. Capitalism, in the United States, was the servant of democracy; it signified not only abundance and wide distribution of material goods, but also, and that was more important, individual opportunity for all men and women in all walks of life. The system had shortcomings. But it was at all times subject to the criticism of the people and to any improvement they cared to make. The Government of the United States rested upon the freely expressed and freely registered will of its people. The beliefs of such a people were ill suited to authoritarian doctrines; they were the beliefs of men who had in some degree acquired tolerance, good will, and a sense of personal responsibility toward society. The people of the United States was endeavouring to live up to their beliefs, and would make whatever sacrifices were necessary to preserve their freedom to do so.

**United Nations Programme of Technical Assistance: report by the Secretary-General (E/1893 and E/149)**

[Agenda item 4]

68. The PRESIDENT pointed out that two non-governmental organizations which had been authorized to be heard in connexion with item 4 of the agenda, namely, the International Confederation of Free Trade Unions and the International Co-operative Alliance, had withdrawn their requests and signified their desire to speak instead in connexion with the discussion of item 5.

69. Mr. KEENLEYSIDE (Director-General, Technical Assistance Administration) wished to make certain observations as a preface to the Council's discussion of the Secretary-General's report (E/1893).

70. The United Nations Technical Assistance Administration had been established six months previously.



It was only now that problems of personnel and administration having been largely solved, the Administration was beginning to put into operation an effective programme of activities. It had on its books programmes involving 32 countries, and other requests were being received with increasing frequency. During 1950, a total of 303 fellowships had been awarded; and since the beginning of the current year, 562 nominations for fellowships in the fields of economic development, social welfare and public administration had been under consideration, and the Selection Committee had made over 100 recommendations for awards. An effort was being made to increase the proportion of fellows and scholars from non-European areas in 1951.

71. The officers of the Technical Assistance Administration were far from satisfied with the record of achievement shown in the report before the Council; they felt that there had been unnecessary delays, mistakes and shortcomings. The Administration was dissatisfied with the scope of its social welfare activities, and recognized the inadequacy of its achievements in the field of public administration. Nor had it yet developed a fully satisfactory method of assessing the results of its efforts to meet the needs of the countries requesting aid; that was a matter of essential importance, which was being given careful consideration. It was both foolish and dangerous to continue to provide assistance if there was no certainty that the methods used were producing the desired results.

72. In order to improve on its past record, however, the Administration required the sympathetic understanding and active assistance of the Member Governments of the United Nations in solving certain problems. One great problem arose in connexion with the clarification and rationalization of requests. Some of the nations most in need of assistance were the least able to identify and describe their own requirements; in other cases, governments had submitted requests without adequate consideration and preparation. Much time and effort would be saved on both sides if applicant governments were to invite officers of the Administration more frequently to work with them in studying their problems and elaborating their proposals.

73. A second very important problem was that of finding and hiring experts. Some governments had worked out internal arrangements that were of the utmost value in assisting the Administration in its search for suitable experts. On the other hand there had been a few cases in which national officials had sought to use the technical assistance programme as an opportunity for the temporary disposal of incompetents. He urged all governments to recognize their responsibilities in that connexion, since nothing in its operations was more important than the selection of the proper persons to carry out the difficult tasks with which the Administration was faced — persons who were not only experts in specialized fields, but who possessed wide experience and broad human sympathies and understanding. Such persons ought to embody the best qualities of the scientist, business man, humanitarian and idealist. For its part, the Administration had revised its selection techniques, and hoped, in the future, to be able to furnish governments with more detailed

descriptions of the type of person and the qualifications required. It was very conscious of its responsibilities in relation to the internationalization of the programmes and believed that there was no country that could not help it in at least one field. Further, in so far as the Administration staff was concerned, the twenty officers of greatest seniority represented eleven countries. With regard to the question of briefing the experts, the Administration had several plans in preparation, but it could not hope to find a complete solution of that very complicated problem in the near future.

74. A third problem was one which was mentioned in the documents before the Council, namely, the desirability of simplifying and co-ordinating the present complicated system of reporting. While the Administration was ready to give the most detailed and explicit accounting of its operations, it hoped to secure approval of a simplified method of reporting which, while giving all the facts, would lighten an administrative burden which was seriously hampering its activities.

75. Finally, there was the problem of the implementation of recommendations. The Administration hoped that the governments would be prepared to experiment with new ideas, and to show patience, understanding, and faith in the wisdom and good will of the experts and officials who responded to their requests for advice and aid. The officers of the Technical Assistance Administration believed that they were engaged, under the direction of the Council and of the General Assembly, in one of the most dramatic and hopeful, if difficult, tasks ever undertaken in the history of man's conquest of nature and of himself. It was only through the most concentrated, and the most consecrated, efforts of all men of good will throughout the world that they could expect to achieve the results that humanity required of them. He hoped that with the continuing, firm, patient and critical support of members of the Council, the Administration would soon be able to present a report that would meet with the Council's just and reasonable expectations.

76. Sir Ramaswami MUDALIAR (India) thought that the importance of the United Nations Technical Assistance Programme, as well as of the Expanded Programme of Technical Assistance, could not be overestimated. Those programmes were an essential part of the Council's approach to the world economic situation. Many aspects of the Secretary-General's report could be discussed during the debate on item 5, the report of the Technical Assistance Committee. He merely wished to point to the stress laid in the Secretary-General's report upon social welfare services, and particularly public administration services. He himself had often stressed the fact that assistance in establishing public administration services was of particular importance to many under-developed countries, as a necessary prerequisite to their development in social and economic fields. Such countries included certain nations which had only recently won their political independence and which urgently needed assistance in organizing and equipping brand new public administration services. He was glad to note that the Secretary-General's report laid proper emphasis upon that important need.

77. He added that his brief remarks were not commensurate with his warm appreciation of the Secretary-General's report. He then presented the joint draft resolution submitted by India, Mexico and the United Kingdom (E/L.149), which noted with approval the steps taken and suggestions made by the Secretary-General.

78. Mr. LEDWARD (United Kingdom) recalled that his delegation had already expressed its views, in the Technical Assistance Committee, on the progress of the Expanded Programme of Technical Assistance. He was glad to note that in future reports on the regular and expanded programmes of the United Nations would be consolidated and the items discussed together. He expressed his appreciation of the spirit of constructive self-criticism displayed by the Technical Assistance Administration, as evidenced by Mr. Keenleyside's statement.

79. In a similar spirit of constructive criticism, he wished to suggest that in carrying out the regular technical assistance programme, as well as the expanded programme, the Secretariat should not proceed to organize any activities unless specifically requested to do so by the governments concerned. The Secretary-General's report contained a suggestion that the organization of United Nations seminars should be based upon demonstrated need, rather than upon requests from the participants. Mr. Ledward felt that certain seminars organized during the past year, such as the European social welfare seminar and the seminar on public personnel management, had proved to be of doubtful benefit to the participating governments. He thought that the money spent on such activities could have been more usefully employed to provide technical advice in the fields of social welfare and on public administration in the under-developed countries themselves.

80. With that reservation he warmly approved Mr. Keenleyside's statement, and congratulated him on the start he had made in administering the programme. He urged the adoption of the joint draft resolution, of which he was a co-sponsor.

81. Mr. FREI (Chile) expressed satisfaction with the Secretary-General's report on the activities of the Technical Assistance Administration. His country had benefited by those activities in various ways. Fellowships had been awarded to Chilean nationals, for study in a number of fields in the United States, the United Kingdom and Canada; and expert advice had been received on problems of economic stability and public finance. Chile had not as yet participated in seminars organized under resolution 246 (III) of the General Assembly.

82. He stressed the importance of technical assistance in the economic development of under-developed countries and felt that extensive and admirable results would be obtained from the Technical Assistance Programme. The small budget available to the Administration, however, was not commensurate with the benefits derived from the programme. Moreover, he thought it essential that governments receiving direct assistance through the programme should report to the Secretary-General regarding the results achieved in their countries, and should in turn receive from him reports on the results obtained in other countries.

83. He commended the Technical Assistance Administration on the progress it had made with the meagre funds at its disposal, and noted with satisfaction its plans for a future extension of its activities. He supported the joint draft resolution of India, Mexico and the United Kingdom.

The meeting rose at 1.15 p.m.