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ECONOMIC AND SOCIAL COUNCIL

*Fifteenth Session*

OFFICIAL RECORDS

**693rd Meeting**

*Tuesday, 21 April 1953*
*at 10.30 a.m.*

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CONTENTS



***President*: Mr. Raymond SCHEYVEN (Belgium).**

*Present:*

The representatives of the following countries: Argentina, Australia, Belgium, China, Cuba, Egypt, France, India, Philippines, Poland, Sweden, Turkey, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay, Venezuela, Yugoslavia.

Observers from the following countries: Brazil, Chile, Denmark.

The representatives of the following specialized agency: Food and Agriculture Organization of the United Nations.

## World economic situation (E/2353 and Corr.1, E/2353/Add.1 and Corr.1, E/2354 and E/2377 and Corr.1) (*continued*)

[Agenda item 3]

1. Mr. ROMULO (Philippines) said that the *World Economic Report, 1951-52* was marked by the same qualities as previous reports on the world economic situation: objectivity, balance, and detailed analysis of the principal problems arising for various countries in the economic field. The Division of Economic Stability and Development fully deserved the congratulations addressed to it in the debate on the work which it had accomplished with the help of the Bureau of Statistics, FAO, the Fund and the Bank.

2. Members of the Council certainly represented their own countries, but they also represented the United Nations as a whole; it was therefore natural for them to describe the problems, the achievements and the hopes of their respective countries, but they would not discharge their responsibilities if they failed to make clear the esssential connexion between the economic situation of their own countries and the world economic situation. It could not be repeated too often that in the present-day world there were practically no problems that were purely national but only national aspects of international problems. That statement held good particularly in the economic field, where the effects of decisions and achievements by each country went beyond its frontiers and affected neighbouring peoples and even those in other continents.

3. The Philippine delegation would therefore refer only to the aspects of its country's economic situation which reflected world or at least regional trends. As everyone knew, the Philippines was an agricultural country and a producer of raw materials; it had been a battlefield during the Second World War and was now a new Asian State which had just achieved its independence after 400 years of colonial status. That brief summary explained the position of the Philippines in the world economy.

4. Like other countries in a similar position, the Philippines was very much at the mercy of the forces governing international trade. Thus, the demand for raw materials caused by the Korean war, and the sharp rise in prices during 1950 and the first half of 1951 had considerably benefited the economy of the Philippines, which had reached a certain degree of prosperity during those years. The balance of trade had been favourable; revenue from exports had risen by 69 per cent. That increase and the energetic measures which had been taken to restrict expenditure of foreign currency had enabled the Philippines to increase its financial reserves. The Government had also been able to speed up reconstruction and to set on foot new plans for economic development. The situation had appeared so favourable that the United Nations Committee on Contributions had immediately raised the Philippines' contribution to the Organization by 30 per cent.

5. Both the boom in raw materials and its consequences, however, had been of brief duration. From the middle of 1951, demand had begun to waver for diverse reasons and prices had fallen rapidly: countries producing raw materials had immediately felt the effects. The Philippines had suffered particularly as regards its exports of copra, copra oil and manila hemp; for the first eleven months of 1952, the value of those exports had fallen by 37, 44.1 and 40.2 per cent respectively. The prices of certain finished products which the Philippines was obliged to import had also fallen, but not to the same extent as the price of raw materials.

6. As a result, the balance of trade had deteriorated and the reserve of foreign currency had dwindled; it had been necessary to tighten import restrictions and exchange controls, which had brought about a reduction in the volume and value of foreign trade. The pace of economic development had been temporarily slowed down. In order to maintain reserves of foreign currency at the level required to meet essential needs, the Philippines had been obliged to reduce their imports by $72 million in relation to 1951; the Government was also proposing to modify customs tariffs in order to reduce imports still further; it had found it impossible to reduce the tax on foreign currency transactions from 17 to 12.5 per cent as it had hoped to do.

7. That brief analysis showed how a country whose economy was based on the export of raw materials could pass in a few months, as a result of fluctuations in the price of certain articles, from relative prosperity to a really difficult situation.

8. Despite everything, the Secretary-General's report indicated that production in south-eastern Asia had risen slightly in 1952. That was particularly true of the

Philippines, with the exception of copra production, building wood and certain other articles; generally speaking, the production of commodities for domestic consumption had increased more than that of the principal exports. Thus, despite several typhoons, the rice crop had increased by 214,000 tons, a rise of 8.2 per cent over 1951; the maize crop had been 26.5 per cent more plentiful than in 1951; produce from fisheries had increased by 10.5 per cent and that from stock-breeding by 13.2 per cent. As in the rest of the world, however, the increase in food production had been less than the increase in population.

9. As for exports, a decrease of 30.2 per cent in copra production and 32.8 per cent in building wood in relation to 1951 was to be noted, but there had been an increase of 9.4 per cent in sugar and tobacco output. As for minerals, the progress in relation to 1951 had been notable; 329.1 per cent for lead; 64.4 per cent for chrome; 27.9 per cent for iron; 28.6 per cent for copper; and 17.9 per cent for gold; manganese production, however, had decreased by 9.3 per cent. Considerable progress had also been achieved in the manufacturing industries, owing partly to import restrictions and to national investment. Heavy industry was still in its infancy, but the establishment of a ship-building yard and a steel factory, in which the Government had invested $3,250,000 had to be mentioned. Production of electric power had risen by 12.1 per cent.

10. The population of the Philippines, however, had increased by 24.8 per cent between 1940 and 1951, while over-all production had increased only by 7.1 per cent; those rates had been more or less maintained in 1952. Employment had increased by 3 per cent in 1952, but under-employment was still a serious problem in agricultural areas. Real wages had increased by about 3 per cent in relation to 1951.

11. Those minor advances had not made up for the heavy drop in foreign trade, which had caused a decrease in the national revenue and budgetary receipts. Exports had fallen by 17.7 per cent and imports by 10.5 per cent. That deficit had led the President of the Philippines to warn the country that, despite the progress made, the national economy was threatened by a "possible retrogression".

12. The picture he had drawn of the economic situation of the Philippines was also true of the majority of under-developed countries. Its main features were, first, the instability of the economy, which was constantly at the mercy of fluctuations in international trade — as the latest ECAFE report stated, a recession of no significance to industrial countries might be disastrous to under-developed countries, which were not sufficiently cushioned against economic disturbances — and second, the inability of national efforts to fill the gap which existed between the under-developed and other countries and which, according to the Secretary-General's report, had become even wider in 1952, without external aid. While the economic development of a country was, of course, the responsibility of its government and people, they could not make the desired progress unless they received technical assistance and could obtain investment capital and capital goods from abroad.

13. Countries in the process of development unquestionably needed capital goods, but were precluded from obtaining them by an unfavourable balance of trade. Countries like the Philippines needed foreign capital to finance their development, but the implacable law of economic survival compelled them to take protective measures that tended to discourage the influx of capital. It was generally recognized that the economic progress of the under-developed countries was essential to world economic progress, but the financial and technical assistance which those countries were receiving from the developed countries was still insufficient to ensure that their efforts were crowned with success. In his delegation's opinion, one of the most significant conclusions of the Secretary-General's report was that a substantially expanded flow of foreign capital to the under-developed countries would contribute to a solution of the three main problems confronting the world — the maintenance of economic stability, the elimination of the chronic disequilibrium of balances of payments and the dangerously slow rate of economic development of the less favoured regions. In that connexion, the final paragraph of the introduction to the report was particularly relevant.

14. His delegation was glad that the Council was considering the world economic situation at a time when the political atmosphere appeared to be clearing and when there was some prospect of a general relaxation of tension, which could at long last bring the two-thirds of the world's population living in under-developed countries within sight of the day when they could satisfy their desire for a better life on equal terms with the inhabitants of more prosperous countries. If the political situation continued to improve, the Council could play a decisive part in bringing about a definite improvement in the world economic situation. With that end in view, it might at its next session consider the recommendation recently made by the Committee of Experts regarding the creation of a special fund for grants-in-aid and for low-interest, long-term loans for the purpose of accelerating the economic development of the under-developed countries. The experts had recommended that, at the outset, the fund should be financed by voluntary contributions amounting to a minimum of $250 million from thirty countries. It was true that, according to the studies so far made, the under-developed countries needed $2,000 million annually from external sources to cover the cost of their economic development, but the creation of a special fund would show the world that the United Nations was prepared to take the initiative in the general endeavour to secure economic prosperity and stability. In that connexion, the announcement by the President of the United States that his Government intended to redouble its efforts to implement the principles of the Charter as soon as the political situation permitted more constructive international economic and social action was encouraging.

15. His delegation had always been convinced that effective international action to improve the living conditions of the peoples of the less-favoured regions of the globe was essential to the success of the United Nations and to the attainment of its purposes. The moral and material resources of the free world were sufficient to safeguard its economic and military security against any force which might threaten it. The world was suffering from a lack of imagination; the narrow scope of the programmes in progress or planned was proof of the fact that the noblest endeavours were paralysed by inertia, timidity and fear. He trusted that the Council would show itself worthy of the task which now lay before it and that all Member States would give it their unreserved support.

16. In undertaking the joint task which lay ahead, the under-developed and other countries should not be placed in separate categories, as was apparently too often the case; the impression should not be given that the former were always complaining and the latter always more disposed to give advice than adequate assistance. In reality, all national problems were but the different aspects of the disease from which the world economy was suffering. The realization by every State that its own fate was closely bound up with that of others would mark the opening of a new era of international co-operation, based on mutual respect, whose benefits would rapidly be universally felt.

17. Mr. BIRECKI (Poland) regarded the examination of the *World Economic Report, 1951-52* as the most important item on the agenda of the present session. Under the terms of the Charter, the Council was assigned the task of promoting higher standards of living, full employment and solutions of international economic and social problems.

18. True to the principles of the Charter, the Polish delegation had always upheld the need to develop international co-operation among all States regardless of their economic system. It had always opposed a discriminatory economic policy since such a policy, by subordinating the interests of the international community to the interests of certain individual States, could only serve to aggravate the disequilibrium and tension prevailing in the world.

19. Recent events had borne out the correctness of that view. The increasing militarization of the economy of the United States and of the countries of Western Europe as well as the discriminatory trade measures taken against certain groups of States had had detrimental effects on the standard of living of the peoples. They had resulted in the contraction of domestic markets, the reduction of exports, a disequilibrium of balance of payments and an increased danger of inflation and unemployment.

20. In the face of those facts, no one now thought of maintaining that United States aid, so highly extolled a few years before, had had a favourable effect on the economy of the countries it was intended to benefit. According to the conclusions of the OEEC report, the conditions underlying the present economic situation of Western Europe could not properly be regarded as transitory. It must be recognized that present difficulties were due to an inherent defect — the economic preponderance of the United States. A number of representatives, who had criticized the Polish delegation in the past for using the term "dominant economy", had not hesitated to use it themselves during the present session in attempting to explain the causes of the present economic stagnation. The representatives of France (688th meeting), the United Kingdom (689th meeting) and Belgium (688th meeting) had drawn attention to the decline in production and the rise in unemployment in their countries and had been compelled to admit that, as an economic stimulus, re-armament had been found wanting.

21. With the increasingly frequent expressions of disillusionment, he would contrast the optimistic forecasts of those who had only recently maintained that United States aid would bring salvation to the world. In 1948, in his book *The American Continent and World Disequilibrium,* Mr. Robert Marjolin, Secretary-General of OEEC, had gone so far as to state that the countries receiving Marshall Aid would completely regain their economic independence in 1952. Striking evidence that those hopes had waned was provided by the fruitless pilgrimages of missions to Washington and by the fact that Mr. Marjolin himself was now obliged to paint the state of the European economy in particularly gloomy colours.

22. Recognizing the bankruptcy of that unsound policy, those who had previously been its staunchest champions were now demanding its replacement by an entirely different policy expressed by the slogan "trade not aid". Industrialists like Mr. Henry Ford, Jr. who could not be suspected of anti-capitalist views, had been compelled to admit that the "slight recession" in the United States in 1949 had had disastrous consequences for the countries receiving Marshall Aid, since the United States had at once made ruthless cuts in its imports.

23. After those unhappy experiences, it was surprising that the authors of the world economic report seemed reluctant to draw the necessary conclusions and contented themselves with phrases whose vague optimism did not square with the facts. Thus, it was difficult to accept the statement that the period between 1950 and 1952 had been characterized by sharp fluctuations in balances of payment which left it somewhat obscure ... as to whether the underlying trends had been "towards or away from equilibrium". That statement was not in accordance with the conclusions of many observers regarding the present situation. In that connexion he cited the views of the London *Economist* on the chronic dollar shortage in the OEEC countries, the recent report of the Mutual Security Agency to the Public Advisory Board of the United States, which stated that the dollar shortage could not be compensated even by an increase of imports, and statements by Mr. Eden and the Governor of the Bank of Canada, both of whom had frankly said that the restrictions on international trade could not fail to worsen the balance of deficits of many countries.

24. The only remedy for the present situation offered by the authors of the report was an expansion of United States imports and a lowering of tariffs. That remedy was however unrealistic in the circumstances. The only real solution was the restoration of the economic independence of the Western European countries and a general return to a peace economy.

25. In his statement of 20 April (691st meeting) the USSR representative had shown that the economy of the Peoples' Democracies was immune from depressions and ensured a steadily rising standard of living for the people. The indices of industrial production were rising in Poland, Czechoslovakia, Hungary, Romania and Bulgaria. The rate of industrialization in those countries was such that development plans had been more than fulfilled everywhere. Modern technical processes and a better organization of production, based on new working methods, had made possible a substantial increase of output. Investment was steadily increasing; in the case of Poland, it was estimated that in 1955 investment *per capita* would be eight times the pre-war level.

26. The Peoples' Democracies had been able to carry out their industrialization programmes at that rapid rate as a result of the credits on very favourable terms and the invaluable equipment they had received from the Soviet Union.

27. Proceeding to a more detailed study of the economic development of his country, he pointed out

that in 1952 industrial production in Poland had exceeded the planned level for that year under the six-year plan by approximately 14 per cent, representing an increase of 6 per cent over 1951. The rate of production, which in 1951 had made it possible to exceed the planned figures by 8 per cent, was now such that Poland was three months ahead of the plan. Citing the 1952 figures for coal, electric power and steel, he stressed the fact that Polish steel production in 1952 had risen to one-quarter of the production of the United Kingdom, one of the most highly-industrialized capitalist countries.

28. As regards the volume of essential industrial products, Poland was rapidly filling the gap between it and many capitalist countries whose industries had reached a high level of development before the Second World War. It had already exceeded the industrial level of Italy and was rapidly approaching that of France. In 1952, in heavy and medium industry alone, the index was 320 compared with the pre-war level, or 425, if changes of population were taken into account. In relation to 1937, it had produced nearly twelve times more metal and wood-working machine tools, nearly five times more agricultural machinery and implements, nearly three times more coal, 4½ times more electric power and 2½ times more chemical fertilizers. Production of iron had increased 13 per cent over 1951, steel 14 per cent and iron and steel products 10 per cent. In the case of many articles, Polish industry had been able to undertake mass production and assembly and in 1952 it had manufactured twice as many prototypes, new high-efficiency machines and industrial equipment than in 1951.

29. In agriculture, the area sown had increased by approximately 1,420,000 hectares since 1951 and although the increase in production had been lower than the planned level, owing to unfavourable weather, the harvests of wheat, barley and oats had nevertheless exceeded those of the preceding year. The increase in the total harvests of cereals and other agricultural products in 1952 was mainly due to improved supplies of chemical fertilizers and more intensive mechanization.

30. With regard to investments under the large-scale works plan undertaken throughout Poland in 1952, 350 villages had been electrified and 180 kilometres of water pipes had been laid. In so far as town planning was concerned, 580,000 dwellings had been rebuilt and 111,600 new ones constructed.

31. In 1952, the productivity of labour had increased by approximately 13 per cent in industry and by approximately 17 per cent in building enterprises. It was noteworthy that approximately two thirds of the increased production in 1952 was due to increased productivity, the labour force having increased by only 32 per cent.

32. In the cultural sphere, the number of schools offering a seven-class cycle had increased by approximately 850 and in 1952 there had been one school of that type for every four villages, as compared to one school for every seventeen villages before the war.

33. As regards public health, the number of hospital beds had been increased by 9,000 and the number of doctor hours worked in municipal clinics and rural welfare centres had increased by approximately 20 per cent.

34. Poland had suffered greatly in the Second World War and regarded peace as the primary condition for its development. Together with the delegations of the other Peoples' Democracies, the Polish delegation considered it essential to remind States Members of the United Nations that international economic co-operation based on respect for equal rights and national sovereignty alone could ensure the triumph of the principles of equity proclaimed by the Charter. The Polish delegation therefore hoped that, in the interests of the peaceful co-existence of nations, the number of countries which shared those views would progressively increase.

35. Mr. PEREZ PEREZ (Venezuela) wished to add his delegation's congratulations to those that had already been offered to the Secretariat for its work on the *World Economic Report, 1951-52*. He noted with particular satisfaction that the economic development of Africa had been the subject of a special and highly important study.

36. The world economic situation appeared to be less unfavourable than might have been feared; nevertheless, it was not fully satisfactory and the conditions of stability referred to in Article 55 of the Charter apparently remained a more or less distant objective. Prosperity was by no means general; the gap between rich and poor countries had increased; many economies still depended on a single crop or product; and the increase of food production had lagged behind the growth of population. International tension had greatly hindered progress towards prosperity by compelling States to employ for arms production resources which could have been used to reduce the general economic disequilibrium. It was idle to pretend that an economy based on free enterprise could prosper in such an atmosphere; on the contrary, threats of war distorted the play of the market, discouraged investment, promoted inflation and consequently led to economic instability. An example of that process was given in the passage in the Introduction to the Report referring to the under-developed countries. The governments concerned had succeeded, by fiscal methods, in alleviating to some extent the effects of price fluctuations and thus reducing inflationary pressures, but the problem was a more general one and could be solved only by diversification of the under-developed economies and by enabling them to develop in a climate of peace, confidence and security.

37. Turning to the economic situation in his country, he said that in Venezuela, which had long been an exporter of agricultural products, tariffs had traditionally been very high. In recent years, the Government had of its own accord substantially reduced those tariffs. That policy, combined with the absence of exchange controls and the plentiful supply of foreign currency, had permitted a flow of foreign goods to the market. Venezuela now played an important part in international trade. Although its population was little more than five and a half million, its imports and exports in 1952 had amounted to 805 and 1,590 million dollars respectively, one of the highest *per capita* rates in the world. The development of its trade balance had enabled the Venezuelan Government to meet its obligations and to build up its reserves, thanks to an anti-inflationary policy of converting surpluses into gold. Towards the end of 1952, the *Banco Central de Venezuela* had held over 440 million dollars in foreign currency; the legal reserves had corresponded to 90 per cent of the paper money in circulation, which represented 114 per cent of the

gold reserve. The *bolivar* was a freely convertible hard currency with a high purchasing power on the international market.

38. In 1952, Venezuela had produced 105 million cubic metres of petroleum, a record figure, exceeding by 5.6 per cent production for 1951, which had itself represented an increase of 13.8 per cent over 1950. Such a large volume of production was proof of the flexibility of the industry, which had adjusted itself to new circumstances and which supplied a large proportion of the world's needs.

39. The Venezuelan Government had always pursued a multilateral trade policy, naturally taking into account the need for obtaining foreign currency to pay for its imports. Most of its transactions, however, as well as the largest volume of its trade, were with the United States, with which its trade balance and balance of payments was unfavourable. The Venezuelan economy was to a considerable extent dependent on the volume of its sales to the United States and was adversely affected by any restrictions on that trade. The Venezuelan delegation accordingly shared the hopes expressed by several representatives, including the representatives of France and Sweden.

40. In the interests of international economic equilibrium and its own interest, the United States should encourage imports from as many countries as possible. The dominant position of the United States carried with it exceptional responsibilities. The United States had already demonstrated considerable goodwill and a remarkable spirit of international co-operation, shown by, among other things, its participation in the technical assistance programmes. The future of international trade and the world economy would be threatened, however, if, in order to protect the selfish interests of certain national groups, the United States Government tightened existing restrictions on imports or introduced new ones. In order to sell, it was necessary to buy and United States exporters would find themselves without markets if their prospective buyers had no dollars.

41. In that connexion, he drew the Council's attention to the case of Venezuelan petroleum products. In recent years the United States had bought over 40 per cent of Venezuela's petroleum exports. The volume of purchases had increased steadily, although domestic production in the United States had also increased considerably during the same period, which showed that foreign petroleum was a complementary factor in the United States economy. It was to the advantage of the United States to import crude petroleum and heavy oils which it did not produce in sufficient volume to meet its industrial needs, and to reserve its refining capacity for higher grade products. Moreover, if the United States reduced its petroleum imports, Venezuela's exports would be cut by an estimated 25 per cent; its entire economy would suffer; investment essential to economic development would be endangered; Venezuela would be obliged to reduce its purchases in the United States.

42. Almost all representatives had emphasized the importance of international capital to the economic development of the under-developed countries. Venezuela was proud of offering foreign investors adequate guarantees and outstanding advantages. In that respect, the development of petroleum legislation in Venezuela was particularly instructive: it had been possible to carry out needed reforms and to protect national interests without injury to the concession holders. The entire process had taken place in an atmosphere of remarkable harmony and co-operation. Other countries had followed Venezuela's example, and various oil producers in the Middle East had applied the fifty-fifty principle in sharing the profits of the exploitation of their national wealth.

43. The authors of the *World Economic Report, 1951-52* and several delegations had paid special attention to the problem of food production. Under-developed countries frequently tended to use internal financing methods which were inflationary in character and which promoted industrialization without a corresponding rise in food production. Venezuela, whose petroleum industry had developed with exceptional rapidity, was in danger of becoming a country with a single-product economy. Measures had therefore been taken to develop agriculture and cattle-raising; farmers received technical assistance and credit. The results, while encouraging, were as yet insufficient. Venezuela ought not to have to allocate 15 per cent of its import expenditures to the purchase of foodstuffs. Programmes already in hand would lead to a solution of the problem and would thus help to improve the world food situation.

44. Venezuela, which had a sound currency and adequate means of payment, was faced by smaller difficulties than most of the non-industrialized countries, but like them felt concern regarding the weakness of single-product economy. That important problem could be solved only under a régime which respected and protected private enterprise and private property. Countries with such a régime manufactured armaments only when compelled to do so for defence purposes, as had been shown be events in 1946 and in particular by the reconversion of industry in the Western countries. Now that the economy of the under-developed countries was being modernized, it was to be hoped, if the process was to continue, that, as international tension relaxed, the industrial Powers would be able to allocate new resources to civilian production and thus contribute to a steady improvement of the world economic situation.

45. The PRESIDENT said that the Danish Observer had asked to speak.

46. Mrs. WRIGHT (Denmark) thought that the primary purpose of the *World Economic Report, 1951-52* was to provide a basis for a useful discussion of world economic problems. As the Swedish representative had pointed out (689th meeting), however, the analysis of some cases appeared to be unduly brief and superficial, thus distorting the general picture. That was true of the passage dealing with Denmark.

47. The Danish Government therefore reserved the right to communicate any additional information and to make any comments which might facilitate an understanding of its economic policy and an appraisal of its results. It might, for example, supply that information in the form of an appendix to its reply to the United Nations full employment questionnaire. The Danish Government hoped that it would thus help the Council to examine world economic problems in full knowledge of the facts, taking due account, in particular, of experience which should be of interest to countries whose prosperity depended on their ability to adjust to world economic trends.

The meeting rose at 12.35 p.m.

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