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President: Mr. S. Amjad ALI (Pakistan).

Present: The representatives of the following countries:

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

Observers from the following countries:

Chile, Netherlands, Turkey.

The representatives of the following specialized agencies:

International Labour Organisation, International Monetary Fund.

Full employment, and report of experts on the problem of reducing the international impact of economic recessions and on measures required to mitigate the effect of fluctuations in international markets on the economies of under-developed countries (Council resolutions 290 (XI), paragraph 19, and 341 A (XII), paragraph 5) (E/2156, E/2189, E/2194, E/2232 and Add.1 and Corr.1 and Add.2-4, E/L.313, E/L.387, E/L.388/Rev.1, E/L.389, E/L.390, E/L.396 and E/L.406) (*continued*)¹

[Agenda item 4]

Economic development of under-developed countries (*continued*): (f) Integrated economic development and commercial agreements (General Assembly resolution 523 (VI)), (E/2243, E/2243/Add.1, E/2243/Add.2 and Corr.1,

E/2243/Add.3, E/2257, E/L.401 and E/L.404) (*continued*)¹

[Agenda item 5 (f)]

1. The PRESIDENT gave the floor to the United Kingdom representative to exercise the right of reply in accordance with rule 51 of the rules of procedure.

2. Mr. FLEMING (United Kingdom) said that the Iranian representative's comments (629th meeting), to which he wished to reply, had touched on a subject which, vital though it was, bore little relation to the item under discussion. The question of the dispute between the United Kingdom and Iran in regard to Iranian treatment of the Anglo-Iranian Oil Company was before the International Court of Justice and *sub judice* at the present time. It was more than questionable, therefore, whether it was a proper subject for discussion in the Council. In the circumstances he could only conclude that the Iranian delegation had raised the matter merely for purposes of propaganda.

3. As the Foreign Secretary had stated in the House of Commons in November 1951, the United Kingdom had a long tradition of friendship with Iran and its independence and prosperity must always be a first objective of United Kingdom policy. He had added that the solution of the dispute must take account of the widespread feeling among the Iranian people that the oil industry must be so managed as not to prejudice their economic and political independence. The United Kingdom's interest in the welfare of Iran remained unabated.

¹ Resumed from the 631st meeting.

4. He would not discuss the merits of the case but would briefly review the course of events which had led to its being placed before the International Court of Justice.

5. The Anglo-Iranian Oil Company had operated under an agreement concluded with the Iranian Government in 1933. That instrument had provided for amendments to its provisions and had made specific provision for dealing with any disagreement between the parties, particularly in articles 21 and 22. Article 21 provided that:

"This concession shall not be annulled by the government and the terms therein contained shall not be altered either by general or special legislation in the future, or by administrative measures or any other acts whatever of the executive authorities."

6. Article 22 stated that:

"Any differences between the parties of any nature whatever and in particular any differences arising out of the interpretation of this Agreement and of the rights and obligations therein contained as well as any differences of opinion which may arise relative to questions for the settlement of which, by the terms of this Agreement, the agreement of both parties is necessary, shall be settled by arbitration."

7. When Iran had decided to repudiate the Convention, the Anglo-Iranian Oil Company had sought to invoke the arbitration clause and had appointed an arbitrator but the Iranian Government had declined to follow that procedure. Accordingly, the United Kingdom had brought the question before the International Court of Justice on the grounds that the interests of British nationals had been treated in a manner not in accordance with the principles of international law and that there now existed a dispute between the two Governments.

8. On 5 July 1951 the Court had handed down an interim decision enjoining the parties to maintain the *status quo* so as not to prejudice its final decision, and the United Kingdom had immediately undertaken to comply with that directive. The Iranian Government, however, had declared that the Court's instructions represented an unwarranted interference in its internal affairs and were therefore invalid.

9. The question had then been referred to the Security Council which had deferred the item until the International Court of Justice had handed down its decision on the question of jurisdiction.² In those circumstances it was hardly appropriate for the Economic and Social Council to deal with the matter at the present time.

10. The United Kingdom Government had never attempted to use force against the Iranian Government. It had only taken steps to ensure that British subjects could, if necessary, be safely evacuated and their lives protected. It was difficult to weigh the danger in a situation from a distance, but as the Iranian Prime Minister had been assassinated in March 1951 and riots had broken out during which twenty people were killed, the United Kingdom Government's action had only been a reasonable effort to protect the lives of its subjects who were conducting their legitimate business.

11. In regard to the charge that the United Kingdom was impairing the economy of Iran, in view of the losses accruing to the Company and the United Kingdom from the withdrawal of Iranian oil from the world markets owing to Iran's unilateral expropriation, the United Kingdom no longer felt justified in granting that Government special privileges relating to the use of sterling or in permitting exports of goods in short supply to Iran. Those measures, taken to protect the United Kingdom's economy, were due entirely to the acts of the Iranian Government.

12. The United Kingdom Government felt that petroleum products from the Anglo-Iranian Oil Company's installations remained the property of the Company and that the Company could take all normal, practical steps to protect its legal rights and to prevent, through the normal processes of law, the disposal of that oil to third parties.

13. The Council had discussed at length how to promote the economic development of the under-developed countries, of which Iran was one. During a period of fifty years or more the equivalent of \$1,500 million had been invested in Iran and an industry built up which was one of the finest of its type. That enterprise had made a unique contribution to Iran's economy and the United Kingdom had also aided the Iranian seven-year development plan. The payment of revenues under the supplemental oil agreement would also have made an invaluable contribution to that plan. Iran, however, had repudiated that Agreement and claimed that its experience with foreign investment had not been fortunate.

14. That statement should give the Council pause. Obviously a single industry could not carry the economy of a country. The Iranian action, however, might rebound to its own detriment and call into question the value of private investments in under-developed countries. In that connexion, the Iranian Government bore a heavy responsibility for its course of action.

15. His Government continued to have a high regard for the Iranian people and it hoped that wise counsels would prevail, thus enabling them to resume the course of their development and make the fullest possible use, for their own benefit and for the world, of the resources they possessed.

16. Mr. ABDOH (Iran) wished to reserve the right to answer some of the allegations in the United Kingdom representative's statement.

17. After a brief procedural discussion in which Mr. SAKSIN (Union of Soviet Socialist Republics), Mr. ABDOH (Iran) and the PRESIDENT participated, the PRESIDENT said he would permit the Iranian representative to make a brief explanatory statement which, he hoped, could be given at the next meeting.

18. The President then invited the Council to consider the USSR draft resolution on full employment (E/L.388/Rev.1).

19. Mr. SAKSIN (Union of Soviet Socialist Republics) said that as his Government's views had been outlined in detail during the general debate he would not comment on the USSR draft resolution at the present stage, but reserved the right to reply to any points which might be raised.

² See *Official Records of the Security Council, Sixth Year, 565th meeting.*

20. Mr. VAVRICKA (Czechoslovakia) said the USSR draft resolution would afford the Council an opportunity to pursue a new and practical policy on full employment and unemployment. It brought out the true cause of the current unemployment problem, namely the war economy prevailing in the United Kingdom and in the United States in particular. It proposed wise and effective remedial measures which would be acclaimed by the workers of the world. His Government wholeheartedly endorsed the recommendations in paragraphs 1 and 2 of the operative part of the text and would support the draft resolution as a whole.

21. Mr. LUBIN (United States of America) agreed that the USSR draft resolution represented a radical new policy for the Economic and Social Council, for never had the Council adopted a text which called a specific government to task as the USSR draft attempted to do. The draft might be less objectionable if it told the whole truth, namely, that the Government of the United States was engaged in an armaments programme in order to protect itself and other free nations against aggressive designs of the USSR. As it stood, however, the draft failed to present the true facts. The second paragraph of the preamble, for example, implied that shortages had developed in the supply of capital goods available to the under-developed countries as a result of the US rearmament programme, whereas the *World Economic Report 1950-51* (E/2193/Rev.1)³ made it clear that they could have secured greater amounts of capital goods, and that the difficulties those countries had experienced in obtaining capital goods were due to their lack of foreign exchange.

22. Feeling as he did that the draft resolution was merely another propaganda device, he would vote against it.

23. Mr. FLEMING (United Kingdom) said that the United Kingdom had instituted the social reforms for workers recommended in paragraph 1 of the operative part of the USSR draft resolution almost half a century earlier and had later extended those benefits to the entire population. It had rehoused almost one-tenth of the population after the Second World War. Furthermore, it had already taken steps to increase the export of equipment and goods necessary for the economic development of the under-developed countries. The United Kingdom Government, therefore, did not object in principle to the substance of the draft resolution but it was vigorously opposed to the general tenor of the text.

24. The draft resolution was based on the twin assumptions that the United Kingdom and certain other countries had been militarizing their economies and that that programme was the underlying cause of the current unemployment problem. Neither of those postulates was valid, however, and inasmuch as the USSR in 1951 had devoted almost 20 per cent of its economy to military purposes it was hardly in a position to accuse other States of converting their economies to a war economy.

25. He failed to see how a defence programme which automatically led to increased demand for goods and services could be said to cause unemployment. That phenomenon was most probably due to a decline in the demand for consumer goods. He did not know why the

demand for certain items had fallen off—it might be due to a rise in prices—but although a defence programme must keep the needs of a civilian economy in mind, there was no intrinsic connexion between defence and unemployment.

26. His Government therefore would vote against the USSR draft resolution for those reasons and for the reasons given by the United States representative.

27. Mr. BORIS (France) stated that the social reforms recommended in the USSR resolution had not had to wait on that resolution to be carried out by his Government and that of the United Kingdom. The preamble to the resolution presented the facts inaccurately and was obviously political in character, whereas the Economic and Social Council was not concerned with politics. The fact was that certain countries had been obliged to rearm for purely defensive reasons, and if the proposed text were adopted, innocent parties would have to shoulder responsibilities that should not devolve upon them.

28. Mr. GALEWICZ (Poland) recalled that the views of his delegation had been outlined during the general debate. His delegation had stressed the importance of the question of full employment and had pointed out that it had not yet been solved by the proper organs. The steady increase in the production of armaments and the conversion from a peacetime to a war economy in certain countries must necessarily lead to a decline in the living standards of their populations and to unemployment. The Polish delegation had also referred to the deteriorating situation in the under-developed countries.

29. His position with regard to the USSR draft resolution was in keeping with his delegation's appraisal of the general situation. The recommendations in the draft resolution were realistic; only by ending the militarization of economies, by supplying the under-developed countries with the goods they required, by increasing civilian production, by developing social welfare and by providing better housing could the problem be solved. His delegation therefore fully supported the USSR draft resolution.

30. Mr. SAKSIN (Union of Soviet Socialist Republics) observed that the statements by the United States, United Kingdom and French representatives came as no surprise to him. He was fully acquainted with the Council's practice in dealing with draft resolutions submitted by the USSR delegation. The United States delegation, followed by the United Kingdom and French delegations, inevitably voted against USSR proposals irrespective of their merits.

31. The other delegations had not suggested amendments or improvements to his draft resolution. The United States representative had criticized the first two lines of the preamble but had offered no suggestions by way of modification. Those lines were possibly unpleasant to the United States and United Kingdom delegations, yet they could not refute the basic points concerning the armaments race and the fact that there was increasing unemployment in industry and that the monopolists were being enriched.

32. The United Kingdom representative had asserted that improved living conditions had been in existence for a long time in the United Kingdom. But that repre-

³ United Nations Publications, Sale No.: 1951.II.C.4.

sentative should recall that the United Kingdom was responsible not only for the population in the British Isles but also for millions of other human beings in territories under British administration where the situation of the workers left much to be desired. That representative had moreover been unable to disprove the fact that the armaments race led to a deterioration in the living standard of the United Kingdom and its associated territories. The textile workers in the United Kingdom, for example, were in a much worse plight at the present time than during the war. The efforts of the United Kingdom Government were concentrated on increasing the production of armaments rather than consumer goods. The USSR draft resolution was intended to change that situation.

33. In its relatively short history the Soviet Union had had ample experience of the aggressive policy of the United States, the United Kingdom and France, which had waged war against it from 1917 to 1921. Further aggression was advocated daily by publications such as the famous issue of *Collier's* of 27 November 1951. It was therefore understandable that the USSR was not prepared to remain passive and undefended; it did not intend to let itself be destroyed and converted into a United States monopoly. Nevertheless the Soviet Union spent little more than 23 per cent of its total budget on defence as compared with the armaments expenditure of the United States which amounted to 75 per cent of its national budget.

34. In the Soviet Union the major effort was directed at increasing the production of civilian consumer goods and there was therefore no unemployment. The fact that the vast destruction wrought by the Second World War had been repaired bore witness to the peaceful endeavours of the Soviet people. Rationing was a thing of the past and civilian consumption was increasing daily.

35. No representative had been able to raise any concrete objections to the recommendations in operative paragraph 2 of the USSR draft resolution which took into account the wishes of the peoples in under-developed countries. He hoped that the proposal would receive general support and was prepared to consider any drafting amendments. He requested that his draft resolution should be put to the vote in parts.

36. Mr. LESAGE (Canada) said that it would be interesting for the under-developed countries to know whether the Soviet Union considered itself to be an industrially developed country with certain obligations towards the under-developed areas. So far the Soviet Union had done absolutely nothing for the under-developed countries and had even refused to participate in the technical assistance programme. The previous year repeated appeals had been made to the USSR to indicate what it was prepared to do for the under-developed countries and, although it had in effect done nothing for them, it was at the moment presuming to defend their rights. The USSR draft exuded political propaganda.

37. Because of the attitude of the USSR since 1945, other countries felt obliged to rearm in order to protect themselves. Moreover, in the Disarmament Commission the Soviet Union was refusing to disarm in good faith together with other countries. It was regrettable that Canada had to spend so much of its national budget

on armaments; it would prefer to raise still further the high living standard of the Canadian people and to do even more for the under-developed countries.

38. Mr. STERNER (Sweden) said that the USSR draft resolution was unsatisfactory from the factual aspect. He could not endorse the accusations levelled against two countries specifically. Sweden, like other countries, was rearming under existing world conditions in order to safeguard its security. There was no doubt that the Soviet Union was also rearming, which was an additional reason why it should refrain from accusing other countries of the same practice. He intended to vote against all parts of the draft, having duly considered its background.

39. Mr. ARKADYEV (Union of Soviet Socialist Republics) could not accept the reasons given by the representatives of the United States, the United Kingdom and Canada for the rearmament in which their countries were engaged. That rearmament was in fact a direct outgrowth of the aggressive military policy of the United States and its supporters, a policy which governed all their activities, including technical assistance to under-developed countries.

40. Canada's reason for rearmament, in particular, was certainly not that it was under any threat of aggression or invasion. It spent vast sums for that purpose simply in obedience to the dictates of its economic overlord—United States capital, which controlled a major portion of Canada's economy. The Canadian representative's claim that his country had given extensive technical assistance to under-developed countries was equally unfounded. Historically speaking, the under-developed countries had remained under-developed precisely because the industrialized countries had exploited them and had grown rich in the process. Now the rich threw crumbs from their table to the poor and boasted of their generosity. The purpose of such technical assistance as was given, however, was certainly not to promote the economic development of the under-developed countries, else the latter would not, in a series of resolutions before the Council, be asking for practical measures to be taken to that end. So long as the industrialized countries continued to exploit the under-developed countries, resorting to such practices as fixing the prices of raw materials and sending in exchange shoddy goods unwanted on the domestic market, their vaunted altruism was worth very little.

41. The USSR, on the other hand, had given and was continuing to give assistance to countries the economic development of which had been retarded, such as Romania, Bulgaria, Hungary and Albania, and was supplying the People's Republic of China with much-needed industrial equipment and technical experts. The Canadian representative was deliberately closing his eyes to such facts, dismissing them as propaganda. The USSR did not, however, lend such assistance for purposes of propaganda. It was carrying on trade with under-developed countries, and intended to extend its trade relations with them and with all countries which were prepared to conclude commercial agreements with it. In fact, the United States and the United Kingdom might shortly find it difficult to sell capital goods because another source of supply would have been found.

42. Turning to the USSR draft resolution, he pointed out that it was entirely factual and proposed practical measures for dealing with a situation which undeniably existed. In particular, the recommendation relating to under-developed countries was echoed in resolutions submitted by representatives of such countries; since the USSR proposal expressed those countries' own wishes, it could hardly be called propaganda, and he hoped that the Council would adopt it.

43. Mr. HASAN (Pakistan) remarked that both sides in the debate had claimed credit for giving help to under-developed countries and had expressed great solicitude for their welfare. As a representative of an under-developed country, he was aware that in a selfish world no one had a right to assistance, and was therefore grateful for such assistance as Pakistan had received. Nevertheless, he imagined that the people of Bulgaria, like the people of Pakistan, must find it somewhat irksome to be reminded again and again how much they had to be grateful for.

44. The PRESIDENT put the USSR draft resolution (E/L.388/Rev.1) to the vote paragraph by paragraph.

The first paragraph of the preamble was rejected by 14 votes to 3 with 1 abstention.

The second paragraph of the preamble was rejected by 14 votes to 3, with 1 abstention.

Paragraph 1 of the operative part was rejected by 10 votes to 3, with 5 abstentions.

Paragraph 2 of the operative part was rejected by 9 votes to 4, with 5 abstentions.

45. The PRESIDENT stated that there was no need to vote on the last paragraph of the USSR draft resolution, as it was meaningless without the first four paragraphs.

46. He accordingly drew the Council's attention to the Swedish draft resolution (E/L.396), noting that members who wished to speak on the consideration of replies from governments to the questionnaire on full employment could do so in connexion with either that draft resolution or the draft resolution submitted by Mexico and Uruguay (E/L.406).

47. Mr. STERNER (Sweden) felt that in the general debate on full employment, one aspect had been somewhat neglected; namely, that attempts to raise employment or to maintain full employment frequently gave rise to inflationary tendencies. It was a problem which affected under-developed and industrialized countries equally, and one which merited greater attention than the Council had as yet given it. While the policy of full employment should of course be continued, governments should bear in mind that such a policy would inevitably have inflationary consequences, which should be checked by national or international action, the first being, in his opinion, the more important.

48. While the problem could be solved in a number of ways—and he was open to suggestions on that point—the Swedish delegation felt that the best way to deal with it would be, as suggested in the Swedish draft resolution (E/L.396), by causing a study to be made by a diversified group of experts, one of whom at least

ought to be a trade union economist. That group should not, however, touch on the financing of economic development in under-developed countries, a subject which would be studied by another group.

49. Mr. WEINTRAUB (Secretariat) stated that the cost of appointing a group of experts as suggested in paragraph 6 of the Swedish draft resolution would be between \$14,000 and \$20,000.

50. Mr. BORIS (France) welcomed the Swedish draft resolution, both for its contents and because it provided an opportunity for an exchange of views on a neglected subject.

51. The full employment policy, adopted by the Council two years previously (Council resolution 290 (XI)), had been bitterly and ironically criticized by the WFTU representative (627th meeting), who had concluded that, because there was local unemployment in some areas, the full employment theory had been exploded. The WFTU representative was rather jumping to conclusions. As that was a new doctrine, it was of course subject to correction and improvement, particularly in order to take account of the unalterable elements of the economic system. Moreover, the fact that it was difficult to draw the line between full employment and over-employment, or inflation, had always been recognized, and it was for that very reason that the Swedish draft resolution was useful.

52. The replies of a number of industrialized countries to the questionnaire on full employment had been published. France's reply had just been sent to the Secretariat; the reason for the delay was that his Government had recently set up a new organ, the State Commission for Accounts and Budgetary Questions, headed by Mr. Mendès-France; the Commission was attempting to apply the analytical methods adopted by the Secretariat in drawing up the questionnaire. The French Government's reply was based on the studies which the Commission had just completed for 1951 and 1952.

53. In reply to allegations made at a previous (629th) meeting, he submitted the following information, based on provisional figures: the gross national product was 7 per cent above the 1950 level; production had reached record heights and a rise was to be noted in real wages and consumption. The level of employment in 1951 had been very high; the average working week had been forty-five hours, and the monthly figures for unemployed on relief had dwindled to 40,000 as opposed to the figure 52,000 for the preceding year.

54. As the year 1951 in France had been marked by a strong wave of inflation, the authorities had not had to take special measures to ensure full employment. On the contrary they had had to take steps to combat inflation. While in each of the last few months, however, some local unemployment had been noted in particular fields—in the textile and footwear industries—it affected less than 1 per cent of the working population, and other industries were experiencing a shortage of labour. The phenomenon therefore was not general and was evidence of an insufficiently fluid economy. He explained that in addition to their unemployment benefits, the unemployed received their indirect income in full, which in view of the size of family allowances in France, represented a considerable part of the total wages.

55. He would support the Swedish draft resolution, which would be the means of obtaining useful information. He wondered whether the group of experts might not also be asked to study the related problem of economic rigidity; anti-inflationary measures, unless applied with great flexibility, might in some cases be too

extreme. He was not sure that the experts should be asked to draft recommendations; it would be enough if they made an analytical study of the problem, leaving it to the Council to draw its own conclusions.

The meeting rose at 1.5 p.m.