UNITED NATIONS

# ECONOMIC AND SOCIAL COUNCIL

OFFICIAL RECORDS

Fourteenth Session, **629th** MEETING

*Wednesday, 2 July 1952, at 2.30 p.m.*

NEW YORK

CONTENTS



*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, Food and Agriculture Organization of the United Nations, International Bank for Reconstruction and Development, 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/L.313, E/L.387, E/L.388, E/L.389, E/L.390) (*continued*)

[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 and E/2257) (*continued*)

[Agenda item 5 (*f*)]

1. Mr. ARKADYEV (Union of Soviet Socialist Republics) said that it was essential to distinguish between structural full employment and the narrower problem of unemployment, which was endemic in the economy of capitalist countries. Although the problem had been discussed many times in the United Nations, no progress had been made towards full employment and, in many countries, unemployment had recently risen sharply. Various pseudo-Malthusian theories had been advanced to explain unemployment on the grounds of over-population. An alternative had been suggested: war or production for war. The advocates of such theories failed to point out that the militarization of the economy had actually reduced employment in many industries and in many countries. According to official statistics, the number of unemployed or partially unemployed persons in the United States was now at least 13 million. Unemployment had also increased greatly in France, Italy, Western Germany, the United Kingdom, the Netherlands, Norway and Japan and in many of the under-developed countries, especially India and Pakistan whereas the USSR and the People's

Democracies had attained full employment and had entirely eliminated unemployment.

2. In a recent report and in statements to the Council, the ILO had shown that unemployment, partial unemployment and chronic under-employment had increased in certain countries and in certain industries. It had correctly attributed that increase to growing rearmament and to the diversion of production from civilian goods. It was, then, surprising that the representative of the ILO had gone on to draw the conclusion that correct planning required production for civilian purposes to be cut back until the demands of rearmament had been filled (624th meeting). In reality, rearmament, far from decreasing unemployment, aggravated the situation by curtailing the production of civilian goods and the reduction in purchasing power resulting from rising prices. Furthermore, the theory that a permanent reservoir of unemployed was necessary in order to keep wages under control and to safeguard profits had been revived and was gaining ground. Those factors must be viewed in the wider perspective of the interruption of normal trade exchanges, the consequent growth of speculation in prices and the restriction of machinery exports to the under-developed countries. The final result was a disastrous disequilibrium, with the armaments curve rising and the civilian production curve falling.

3. With civilian production assuming a secondary role in the United States and other countries, increasing numbers of unemployed workers were suffering hardship because of inadequate unemployment insurance or, in some cases, no unemployment insurance at all. In the circumstances, the Economic and Social Council must take practical steps to solve the critical problem of growing unemployment. The aim of the experts' report on *Measures for International Economic Stability* (E/2156)[1] was not to recommend constructive measures but to support the position of the United States. Much of the substance of the report was incorrect, and some of it was contrary to the provisions of the Charter which called for a higher standard of living and full employment. Instead, the experts started from the premise that full employment was a matter of degree and that a range of unemployment varying between 2 and 5 per cent was a legitimate margin of tolerance. In the United States, that margin would amount to 3 million unemployed; if their families were included, between 10 and 12 million people would be deprived of their source of income and would suffer hardship.

4. Paragraphs 5 and 6 of the experts' report were particularly open to criticism. The experts admitted that year-to-year fluctuations in employment in the United States might still occur on the scale of 1937 and 1938, if not of 1920 and 1921. Neither of those periods had been times of full employment. The United States representative had stated (624th meeting) that a depression such as that of 1930 was unlikely to recur, owing to the growth of modern banking and fiscal methods and the emergence of a new way of thinking. But in 1929, the current banking and fiscal methods had been acclaimed as the best possible; and, as for the new way of thinking, in United States ruling circles, at least, the drive towards armaments manufacture as a panacea for economic ills did not seem to be any great improvement.

5. Another conclusion by the experts open to challenge was their contention that capitalism could not develop unless the United States predominated. That view had been rather subtly camouflaged by a recommendation that the International Bank and International Monetary Fund should be encouraged to extend their activities. But those agencies were in reality far more American than international. The United States held 38 per cent of the Bank's stock and could thus dictate who were to be the recipients of its loans, whereas twenty-nine under-developed countries together held only one half of the United States participation. The three Presidents of the Bank had been United States nationals with close connexions with United States finance. It was more than coincidental that the Bank had accorded credits to countries which were of strategic or economic importance primarily to the United States, such as Turkey, Pakistan, the Belgian Congo and Yugoslavia. Iraq and Iran, rich in oil, had received particular attention. In addition the Bank had sent missions to various countries, ostensibly to assist in their economic development, but actually to obtain strategic and other information needed by the United States. Thus the Bank emerged as an instrument of the United States in the preparation of a new war, in complete disregard of the constructive purposes for which it had been created.

6. The International Monetary Fund, too, had lost sight of the objectives set forth in its Articles of Agreement and had become a tool of the United States, which controlled more than 34 per cent of its stock. Missions of the Fund, despatched to twenty-seven countries, instead of assisting them, had interfered in their internal affairs by the advice they had given the governments concerned, designed to subjugate them to the United States.

7. The experts had laid great stress on commodity arrangements. It should be noted in that connexion that the International Materials Conference at Washington and the various so-called collective measures on the distribution of raw materials were yet another means of assuring to the United States the materials it required for rearmament. Raw materials and primary products were being concentrated in the hands of the United States, with the United Kingdom and other countries playing a secondary role which they understandably found distasteful. It was therefore not surprising that that Washington Conference was so unstable and that the entire system had had to be imposed by the United States to ensure its supremacy in the world market.

8. Instead of endorsing a position which would make United Nations bodies tools of the United States and afford the United States complete control of the economic development of all countries, the report of the experts should have contained a recommendation that the United States and the United Kingdom should, in the interests of international economic stability, abandon their policy of preparing for war and use the funds thus released for international development plans which would improve the standard of living and increase employment throughout the world. It was further essential to develop trade on a normal basis and to

[1]United Nations Publications, Sales No.: 1951.II.A.2.

eliminate all commercial barriers, especially with the People's Republic of China. As had been made clear at the recent Moscow Economic Conference, resumption of trade with the USSR and the People's Democracies would greatly reduce unemployment in the capitalist countries, raise living standards and brighten the prospects for complete economic stability.

9. It was incumbent upon the Council to take practical measures leading to the real solution of the unemployment problem by seeing that labour was directed to production for peace rather than war. To that end, he was introducing his draft resolution (E/L. 388).

10. Mr. ARDALAN (Iran) said that since several representatives had spoken on the question of full employment he would concentrate on the second part of the item before the Council: the integrated economic development of under-developed countries.

11. His Government attached great importance to General Assembly resolution 523 (VI), which established a basis for economic co-operation between developed and under-developed countries. Of particular importance in that resolution were the phrase in the preamble, indicating that under-developed countries had the right to determine freely the use of their natural resources, and the end of paragraph 1 of the operative part which said that commercial agreements should not contain economic or political conditions violating the sovereign rights of the under-developed countries. His Government considered those principles the essential basis of any sincere collaboration. The under-developed countries, however, in view of their past experience, had every reason to fear that the industrialized countries would attempt to regain the privileges they had formerly enjoyed. He was glad to note that the Commission on Human Rights had inserted in the draft covenants on human rights a clause dealing with the right of peoples to political and economic self-determination. The recognition of that right was indispensable in a democratic community and would undoubtedly contribute to world peace.

12. General Assembly resolution 523 (VI) requested governments to report to the Council on action taken. In order to demonstrate that his Government's attitude was in complete accordance with that resolution, he described the recent history of his Government's dispute with the former Anglo-Iranian Oil Company and the United Kingdom Government. He showed first that his Government's decision to nationalize the oil industry was wholly in accordance with the principles of international law and with General Assembly resolution 523 (VI). In spite of the goodwill evinced by his Government, neither its negotiations with the Anglo-Iranian Oil Company nor those with the International Bank for Reconstruction and Development had met with success. It had been similarly unsuccessful in its efforts to conclude an agreement with the United Kingdom Government. The latter had brought the dispute before the International Court of Justice and before the Security Council, and had then had recourse to a display of force and to economic blockade in an attempt to compel the Iranian Government to carry out its wishes. The main reason why his Government had been unable to re-establish its oil industry on a satisfactory working basis was the pressure exercised by the United Kingdom Government to prevent transport of the oil.

13. He had brought the subject to the Council's notice in order to emphasize the importance of General Assembly resolution 523 (VI). The difficulties encountered by his Government might be faced by any under-developed country which wished to achieve economic development. A recommendation might well be adopted that Members of the United Nations should not hinder the measures taken by others to utilize their natural resources in order to further the realization of their plans of economic development; that they should spare no effort to facilitate the movement of machinery, equipment and means of transport needed by the under-developed countries for the execution of their economic development plans; and should not seek, in commercial agreements, to impose economic or political conditions violating the sovereign rights of the under-developed countries, including the right to determine their own plans for economic development.

14. While his Government was more than anxious to collaborate with the United Nations in order to encourage economic development, it considered that it had the right to enjoy the revenue from its own natural resources; and it intended to use that revenue for the benefit of its own people.

*The debate was adjourned.*

**Economic development of under-developed countries (*continued*): (*e*) Methods to increase world productivity (General Assembly resolution 522 (VI)), (E/2224, E/2265, and E/L.391) (*continued*)[2]**

[Agenda item 5 (*e*)]

15. Mr. JOUBLANC-RIVAS (Mexico) commended the Secretary-General's study on methods to increase world productivity (E/2265). The document contained many very valuable suggestions with regard, *inter alia,* to comparative productivity statistics, national campaigns to increase productivity, the establishment of productivity and development centres and improved industrial methods. The most satisfactory feature of the document was the spirit of international co-operation it displayed. It laid considerable emphasis on the interchange of statistics, technical information, personnel and products, stating, for example, that an important consequence of the many productivity teams recently organized was that they had widened the acquaintanceship among technicians of different countries to such an extent that it was now possible to arrange for the extensive interchange of detailed factory operation data which in the past had been considered secret.

16. His delegation was very glad to see the end of a long period of mistrust and selfishness. The under-developed countries had benefited greatly from the technical skill of the refugees who had been compelled by recent international events to seek asylum there, but valuable as such technicians were, their presence did not assist the under-developed countries in planning their development since they could not select the specialists they would receive. The diffi-

[2]Resumed from 623rd meeting.

culty in obtaining specialists greatly hampered such development.

17. He welcomed the new attitude towards international relations shown in the Secretary-General's report. It would open new prospects for the under-developed countries and would in the long run be of benefit to the industrialized countries too, because, as was being increasingly realized, the world was a single whole and the poverty of some peoples affected the prosperity and well-being of all.

18. If the first eight recommendations made by the group of experts in the report on *Measures for the Economic Development of Under-developed Countries* (E/1986),[3] mentioned in the Secretary-General's report (E/2265), were put into effect, he hoped that all the recommendations would be taken into account and, in particular, recommendation 9, which was the most important, to the under-developed countries.

19. His delegation would welcome a request to the Secretary-General to prepare similar documents on increased productivity in agriculture, mining, transport and the construction industries. It would support any draft resolution designed to put into practice the suggestions made at the end of the Secretary-General's document. In general, it supported the joint draft resolution submitted by Belgium, Canada, Pakistan and the Philippines (E/L.391), but would submit amendments to it, if necessary.

20. Mr. DAWSON (International Labour Organisation) said that the ILO had always sought to relate the question of methods of increasing productivity with those of securing an equitable distribution of the gains from higher productivity and of protecting the interests of workers who might be displaced as a result of measures taken to ensure it. Accounts of the ILO's recent activities in those fields were to be found in its fifth (E/2050) and sixth (E/2240) reports to the United Nations and in document E/2224, particularly in connexion with various industry studies.

21. The forthcoming tripartite Meeting of Experts on Productivity in Manufacturing Industries would be especially concerned both with human and with technical and organizational factors affecting productivity. Particular attention would be given to attitudes of employers and workers, with special reference to workers' participation in measures to raise productivity and to the machinery for labour-management co-operation.

22. Document E/2224 also gave accounts of the related fields of work, which had long been of concern to the ILO, of requests for technical assistance and of the ILO's efforts to meet them.

23. The representative of the ILO detailed at length four such projects, in Israel, Haiti, Yugoslavia and India, with special attention to activities in India.

24. The ILO's future programme of work in connexion with productivity would depend partly upon the conclusions reached by the forthcoming meeting of experts and upon the decisions taken by the Governing Body in the light of their recommendations. The experts' approach would be a general one and their conclusions might then be applied to specific industries or regions. In any case, the ILO would continue its statistical studies of productivity measurement and intensify those of the effects of productivity changes on workers' earnings and security of employment. The question of productivity was so vast and many-sided that there was room for fruitful work by the combined efforts of the Economic and Social Council, its regional commissions and the ILO, together with any other specialized agencies concerned.

25. Mr. SCHEYVEN (Belgium), introducing the draft resolution submitted jointly by Belgium, Canada, Pakistan and the Philippines (E/L.391), emphasized that, although it was designed mainly for the needs of under-developed countries, the conclusion should not be drawn that only those countries had something to learn about measures to increase productivity. His own country might be regarded as having achieved a high level of industrialization, but it was still plagued by serious problems in that respect. It was quite true that there was unemployment in the textile industry, as a delegation had asserted, but that was technological, due mainly to a structural defect. The cause was the lack of sufficiently qualified workers; the problem was one of vocational training and adaptation. Due emphasis had been laid in the report on *Measures for the Economic Development of Under-developed Countries* on the need for a study of the scientific and technological aspects of the problem. The exchange of technicians had already been most successful in some countries, but it did not by any means exhaust the possible methods.

26. The representative of the ILO had correctly stressed the human aspect. There was a great need for inculcating a "*mystique*" of productivity, taking fully into account the human factor basic in all systems of rationalization, such as Taylorism, the Bedaux system and Stakhanovism. The workers must feel a real interest in their work and they must work in harmony with their employers. In Belgium, as in many other countries, works councils and similar joint worker-employer bodies had become general, and welfare at the factory and pit head had been enforced by law. But the matter did not end there. A most important recommendation in the report was that for the establishment of "productivity centres" (E/2265, paragraph 66). Private enterprise, with qualified experts, should share fully in those centres, along with representatives of labour and the State.

27. To that end, the co-sponsors were submitting the joint draft resolution (E/L.391) and would welcome any suggestions for its improvement.

28. Mr. HASAN (Pakistan) said that although the working paper was generally excellent, it was obvious at first glance that it had been prepared by experts from highly developed countries. The real point at issue was the increase of productivity, not on a national scale, but by unit of labour, and therein the under-developed countries' problems differed very greatly from those of the more advanced countries. The former were only too well aware that it would be long before they could cope with the more complex methods of increasing productivity. Furthermore, they were only too well aware that their soil needed rejuvenation, that their agricultural machinery was obsolete and that their techniques must be changed before they could progress. Their problem was to find the

[3] United Nations Publications, Sales No.: 1951.II.B.2.

necessary resources with which to introduce new methods. The idea of establishing "productivity centres" was excellent, but the under-developed countries were hampered by their lack of resources. Equally, the increase in industrial productivity was hampered less by the lack of skilled labour than by the inadequacy of power and the difficulty of obtaining spare parts, two factors mainly responsible for preventing the existing plant from working at its full potential.

29. Another difficulty was that the machines imported were of the most modern type, whereas the under-developed countries lacked workers sufficiently trained to make the best use of them and to see to their upkeep. The more highly developed countries should, therefore, take advice on the best methods of adapting such machinery to the needs and skills of the under-developed countries. The reference to research in paragraph 1 (*b*) of the joint draft resolution's operative part (E/L.391) was not very relevant to conditions in the under-developed countries, because they would be unable to embark upon any programmes of basic research for many years. They did not need original research so much as to be kept informed of the research going on in the more highly developed countries. The Council might well contemplate setting up some sort of scientific liaison centre within the United Nations to pass on information regarding the latest discoveries and inventions.

30. After a brief procedural discussion, the PRESIDENT proposed that the Council should consider the following items of its agenda during the week of 7 to 11 July: item 18, items 4 and 5 (*f*) together, 5 (*d*) and item 11, in that order.

*It was so agreed.*

The meeting rose at 5.55 p.m.

Printed in U.S.A. 71722—August 1952—2,850