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*President*: Mr. ENGEN (Norway).

*Present*:

The representatives of the following countries: Argentina, Brazil, Canada, China, Czechoslovakia, Dominican Republic, Ecuador, Egypt, France, Greece, Indonesia, Netherlands, Norway, Pakistan, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Yugoslavia.

Observers from the following countries: Belgium, Bulgaria, Cuba, Finland, Hungary, Israel, Italy, Mexico, Poland, Romania, Spain, Venezuela.

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.

*In the absence of the President*, Mr. SAID HASAN (Pakistan), second Vice-Chairman, took the Chair.

## AGENDA ITEM 2

## World economic situation

- (a) Survey of the world economic situation, including the questions of full employment and of the expansion of world trade (E/2864, E/2871 and Add.1 to 6, E/2880, E/2881, E/2882, E/L.734) (*continued*)

GENERAL DEBATE (*continued*)

1. The PRESIDENT, speaking as the representative of Pakistan, said that he had sat in the Council for many years and, like all poor relations, he had taken only a vicarious pleasure in the prosperity of the wealthier Members of the United Nations. He had drawn the attention of the Council to the state of poverty of the countries of his region, their past that was full of privations, and their future, which did not promise great relief.

2. The *World Economic Survey 1955* (E/2864) testified to the fact that the world was following a well-defined course which led to increasing wealth for one section and worsening poverty for the other. The *Survey* was

particularly to be commended because, for the first time, it preserved a perfect balance in its treatment of the developed and under-developed countries and had replaced the three categories into which it had previously divided the world by only two—namely, countries whose economy rested on private enterprise and those where it was centrally controlled.

3. Many of the figures cited in the *Survey* were gratifying, particularly those showing that economic progress in the decade following the Second World War had been more satisfactory than that in the decade following the First World War. The evidence that the earth was capable of supporting a far larger population than ever before was also gratifying, inasmuch as it laid the Malthusian ghost. Industrial production had reached new heights—expansion in world trade had been rapid and in the industrial countries the increase in *per capita* output had been 45 per cent. Africa and the oil-producing countries of the Middle East had increased production more than western Europe in absolute terms, although not on a *per capita* basis. In the industrialized countries the level of employment had been very high and the problem of structural unemployment seemed to have been solved. There was also a notable trend towards a more equitable distribution of income; labour now claimed a greater proportion of the national income; and inequalities of income as between sexes, regions and occupations were being steadily removed. In the centrally planned economies a high proportion of output had been devoted to investment, with resulting accelerated economic development. In the private-enterprise economies the increase in production had outstripped the growth of population. By far the greater part of that increase had occurred in the more developed areas. Commodity output and *per capita* output had risen very considerably in Canada and the United States, in western Europe, in Latin America, and in Africa and the Middle East.

4. In Asia and the Far East, however, despite the advances of science and despite social changes of revolutionary proportions, the *per capita* production had on the whole declined. The total commodity output had increased from 104 before the war to 115 in 1954, while the population had increased from 83 to 109; thus *per capita* commodity production had declined from 125 to 105.

5. The reasons given in the *Survey* for that state of affairs were the under-developed industrial base, inadequate financial resources, and strife and other political disturbances. An under-developed industrial base and inadequate financial resources were indeed features common to all under-developed countries. It was, however, unfair to attribute the declining economic situation in Asia and the Far East to strife and other

political disturbances, which had in reality played very little part. One of the largest social changes in the region, amounting practically to a revolution, had occurred on the Indo-Pakistan sub-continent, but there was undeniable evidence that economic development had not been impeded thereby, nor had it been impeded by political strife in any other large part of the region, such as China. The area where disturbances had occurred was small indeed by comparison with the enormous size and enormous population of the whole region.

6. The important point was that economic conditions had not improved in that region. The hope that voluntary emancipation would lead to better standards of living had not been fulfilled. The somnolent existence of many decades had given place to an almost feverish yearning for fuller life. The solace of religion, which had once reconciled the people of Asia to their tragic fate, no longer brought comfort to bodies worn with labour and emaciated with disease. The question might almost be raised whether it had been altogether wise to awaken them to the consciousness of poverty, which now transcended every other feeling and might drive them to seek desperate remedies.

7. It might be asked whether the stagnant economy and unending poverty of Asia were due to lack of effort or to a wrong choice between the alternatives of desire and duty to which the United Kingdom representative had referred at the 935th meeting. The Asian members of the Colombo Plan had spent, at a constant rate of exchange, £542 million on development in the public sector in 1953/54 and £724.6 million in 1954/55, and the estimates for 1955/56 had been £827 million. The percentage of investment in total central government expenditure in 1955/56 in relation to total revenues had been: Burma 20.5, Ceylon 29.6, India 45.1, Malaya 21.1, Pakistan 40.8, Singapore 5.6, Thailand 23.4. All those countries or territories had ambitious development programmes. In Pakistan, investment in the public sector had risen from 1.4 per cent of national income in 1951/52 to 6.4 per cent in 1955/56. The Five-year Plan for 1955-1960 contemplated an investment of 8,000 million rupees (about \$2,000 million) in the public sector and it was expected that by 1960 national income would increase by about 20 per cent and gross savings by about 8 per cent. Those were high percentages, considering how low the *per capita* income was and what little scope there was for savings. There had, in addition, been considerable investment in the private sector.

8. That investment had imposed untold hardships on the people. Not only had Pakistan eschewed all luxuries; it had denied itself even elementary needs in order that the purpose of freedom might be fulfilled and that the coming generation might be assured of a fuller and more prosperous existence than that vouchsafed to the present generation. By and large, the same applied to almost every country in Asia and the Far East.

9. Despite those sacrifices, however, there was little perceptible improvement in the people's standard of living. True, in the first phase of development there had had to be concentration on infrastructural development—namely, investment in development overheads. The first Six-year Plan, initiated in 1951, had provided

for a total expenditure of 2,600 million rupees. In fact, about 3,000 million rupees had been spent in the four years 1952/53 to 1955/56, and the total cost of the projects authorized was 5,610 million rupees. He would give details of that development work when the Council dealt with the surveys of the regional economic commissions.

10. The promotion of social and economic well-being was one of the most important guiding principles of State policy embodied in the recently adopted Pakistan Constitution. Under that Constitution, it was the State's duty, *inter alia*, to endeavour to secure the well-being of the people irrespective of caste, creed or race, by raising the standard of living of the common man, by preventing concentration of wealth and the means of production and distribution in the hands of a few to the common man's detriment, and by ensuring equitable adjustment of rights between employers and employees and landlords and tenants; to provide for all citizens, within the country's available resources, facilities for work and an adequate livelihood with reasonable rest and leisure; and to provide the basic necessities of life such as food, clothing, housing, education and medical relief—irrespective of caste, creed or race—for all such citizens as were permanently or temporarily unable to earn their livelihood on account of infirmity, sickness or unemployment. Landlordism had been abolished in East Pakistan, and in West Pakistan the State had imposed a very high improvement tax on newly reclaimed land.

11. The economy of an under-developed country was beset by a more than normal share of hazards. Natural calamities and the measures to be taken to prevent recurring food shortages, which exerted such acute pressures on the financial resources of such countries and, in turn, on development plans, might be discussed more appropriately in connexion with the item on the economic development of under-developed countries. The calamities which occurred because the economics of under-developed countries were so vulnerable to external influences, to world demand and price fluctuations, were more relevant to the item at present under discussion.

12. While the index of world production had increased from 78 in 1938 to 130 in 1954 (1948 = 100), exports had increased from 99 to 145. The production index of manufactured goods had increased from 69 to 140, and that of exports of manufactured goods from 92 to 150. On the other hand, the production index of raw materials had increased from 84 to 120, but that of raw-material exports from 103 to 140 only. The decline in raw materials' share in world trade as a whole was a reversal of the pre-war trend.

13. In recent years, the post-war trend for manufactured goods to form an ever-increasing proportion of international trade had become more pronounced. Only one-quarter of the increase in world exports in 1954 and 1955 had occurred in the non-industrial countries. Their share in world exports had been steadily declining: from 37.9 per cent in 1953 it had fallen to 37.2 per cent in 1954 and to 36.2 per cent in 1955. The decrease might not seem very large, but, seeing that world exports in 1955 had stood at over \$83,000 million, even an adverse change of one per cent would materially influence the economics of the under-developed countries directly affected.

14. Industries had reduced the amount of raw materials imported owing to the substitution of synthetic for raw materials and the structural shift of the industrial countries from light to heavy industries. While the latter factor was rational and understandable, particularly in view of the growth of light industries in the under-developed countries, there was a strong case for the industrial countries being asked to reconsider their general attitude to replacing raw by synthetic materials. The development of synthetic substitutes ran counter to the Ricardian doctrine of comparative costs, because, in addition to the fact that synthetic materials were not of such high quality as raw materials, raw materials were cheaper. The only motive for such a policy seemed to be a desire to become self-sufficient, but a decline in the exports of the primary producing countries would inevitably limit their capacity to import from the industrial countries, whose policy would thus rebound on their own heads.

15. The *Survey* stated that since 1938 the capacity of under-developed countries to import had increased, owing to an expansion in the volume of their exports and a substantial improvement in their terms of trade. He would like to see a more detailed study of the terms of trade before he could endorse the latter part of that statement. The instability in the international demand for, and prices of, raw materials remained a critical and recurring problem in the under-developed countries, and he had been glad to hear the Secretary-General make the subject of commodity price stabilization the main theme of his statement to the Council at the 934th meeting.

16. The *Survey* also pointed out that the instability of the primary producing countries' export markets had not diminished with the favourable price trends and general economic expansion of the post-war period. The Pakistan delegation would watch with interest the work of the Commission on International Commodity Trade, which might present suggestions for arresting the long decline in international commodity trade and for removing the chronic instability in the export trade in raw materials.

17. The *Survey* referred to new fears of inflationary pressure and balance-of-payments deficits in several western European countries, following the world-wide expansion that had taken place. Such a trend would very seriously affect those primary producing countries that had traditional markets in western Europe. The dollar gap on commercial transactions persisted, and had, in fact, risen from \$2,400 million in 1954 to \$3,400 million in 1955, although its impact had been offset by the overseas economic assistance and military expenditure of the United States Government.

18. The *Survey* had dealt in some detail with the philosophy of development, which had necessarily involved a discussion of certain doctrines. He had been gratified by some of the conclusions stated, as he had often urged in the Council that the Ricardian law of comparative costs was not applicable to countries which had very large under-employed populations, when the choice generally lay between production which might be called uneconomic from the point of view of exporting countries

and the complete lack of some article. In countries such as Pakistan, where the gravest economic problem was the shortage of foreign exchange, a project was generally judged by its effect on the earning or saving of foreign exchange, and internal costs were regarded as of secondary importance. Any project to set up an industry that would save foreign exchange by curtailing imports or, sometimes, by stimulating exports, was regarded as sound.

19. The stage of development had not yet been reached at which Pakistan could strive even to proceed towards the goal of full employment. Pakistan could not, therefore, base its plans and programmes of work on that consideration, much as that was to be regretted. The problem of development must be faced realistically. The first consideration must be to increase production at the lowest possible cost; and projects must therefore be allotted priorities in consideration of productive capacity alone. For the same reason, under-developed countries should not launch ambitious programmes of social development until the national income could provide the necessary resources after meeting the needs of economic development. Every country must pay the price of economic progress in terms of human suffering. There was, in fact, a legitimate complaint that many international organizations were impeding the economic development of the under-developed countries by insisting upon the provision of extended amenities for industrial workers. Such countries could not afford to use their resources in the earlier phases of development for any purpose other than increased production. He welcomed the *Survey's* support for the view advanced by the Pakistan delegation at the twentieth session of the Council (876th meeting) that sectional imbalance must exist in the earlier phases of a country's development.

20. Large masses of people in many parts of the world undoubtedly still lived in conditions incompatible with human dignity, and the Council must ask itself whether the *Survey* and its discussion thereof would help improve the economic situation of the world generally, and of the under-developed countries in particular. At its twentieth session, the Council had adopted resolution 579 A (XX) stressing the need for freer trade to improve the world's economic conditions. At its eighteenth session, it had adopted resolution 531 A (XVIII) drawing attention to the need for more rapid economic development. Those resolutions did not adequately reflect the gravity of the problem nor convey in full measure the Council's concern for the welfare of those millions of human beings whose lives were blighted by poverty and to whom all chance was denied to attain the full status of dignified human existence.

21. He was fully conscious of the magnanimity of the United States of America and of many other countries in helping under-developed countries to advance and thus enable their people to lead better and fuller lives. Such help was unique in human history. Nevertheless, he fully subscribed to the view that it was primarily for a country and its people themselves to overcome squalor and poverty. The under-developed countries still had enough pride to be aware of their own responsibility. Since the Council and the highly developed countries had often shown interest in raising the standards of living of the backward peoples and had stated that that was an

international responsibility, it might however be suggested that the Council's action should lead to results more tangible than any attained by the resolutions it had so far adopted.

22. He hoped to request the Secretary-General, at an appropriate stage, to undertake, with the assistance of selected experts, a survey of the needs and resources of the under-developed countries, to make recommendations for the utilization of human and material resources at present not used, and to suggest steps to achieve greater stability in the marketing of commodities, with the ultimate purpose of enabling the countries in question to carry out their planned development programmes. The vast amount of work remaining to be done in that field could be carried out most efficiently only through the United Nations.

23. Mr. EL TANAMLI (Egypt) praised the objectivity and clarity of the reports submitted by the Secretariat in connexion with item 2 of the Council's agenda. He ventured, however, to draw attention to two errors in the text of the report *Economic Developments in Africa 1954-1955* (E/2881)—namely, the reference to "French Morocco", whereas the official name of the independent State of Morocco was now being used in United Nations documents, and the use of the incorrect term "French North Africa" to describe Morocco, Algeria and Tunisia. Such errors made certain passages of the report incomprehensible and should be corrected.

24. According to the Secretariat's reports, production in the United States of America and the industrialized countries of western Europe had grown during the last ten years and was higher than before the war. In the Union of Soviet Socialist Republics and the other socialist countries of Europe, production had likewise shown an upward trend. The level of employment in the developed countries appeared to be satisfactory, especially by comparison with before the war. The expansion of world trade had been more marked than after the First World War.

25. On the other hand, in the countries regarded as economically under-developed, where two-thirds of mankind lived, the situation was totally different. Living conditions were unsatisfactory. In vast areas, under-nourishment and disease were rife and the difficulties were aggravated by the continued growth of the population. Such conditions were the result of an unsatisfactory economic situation. Poverty fostered disease and disease in its turn led to greater poverty.

26. The Secretariat's studies showed that the under-developed countries of Asia, Africa and Latin America had been unable to develop their economies to any appreciable extent during the last ten years. In some cases, production and consumption did not even reach the pre-war level. World trade in primary products had not expanded to the same extent as world trade as a whole. Thus, the under-developed countries grew ever poorer and the gap between their levels of living and productivity and those of the industrialized countries was continually widening.

27. Yet if the causes of such a state of affairs were analysed it would be found that, as the executive secretaries of the Economic Commissions for Asia and the

Far East and for Latin America had recognized, the governments of the under-developed countries in those regions had done all in their power to promote economic progress. As could be seen from the report *Economic Developments in the Middle East 1954-1955* (E/2880), the States in that region had adopted economic planning methods in their efforts to achieve expansion and had gone so far as to undertake a thorough reform of their traditional institutions and to adopt a policy of austerity. Large-scale agrarian reforms had been launched in Africa, Asia and some countries of Latin America, and the demands of economic development had been a dominant factor in shaping both financial and economic policy and the measures taken in education, labour legislation and the regulation of the credit system. There were even countries which had had to surrender some of their rights as sovereign nations to obtain the resources necessary for their economic salvation.

28. However, the efforts so far made had not yielded sufficient results to offset the effect of the rapid rise in population. The countries concerned were unable by themselves to ensure their economic development, especially in the present situation; for the inadequacy of the resources exploited and the low real income *per capita* weakened the cumulative effect of the development projects. Furthermore, the entire economy of the under-developed countries, in which exports of primary products were a predominant factor, was closely dependent on fluctuations in the world economy. In addition, many of the under-developed countries had been or still were in a state of political dependence on the industrial countries, and that tended to place them at the mercy of fluctuations in the economic position of the leading Powers.

29. It was difficult to say whether the external fluctuations, to which the economies of the under-developed countries were particularly sensitive owing to their inherent nature or because of political factors, favoured their development or not.

30. In the first place, the rigidity in the supply and demand of the primary products which constituted the principal wealth of the under-developed countries intensified price fluctuations and disturbed their economic systems. Secondly, the terms of trade had moved in a direction constantly unfavourable to those countries. As a result, the income which they derived from their exports tended to decrease, thus limiting the contribution which foreign trade could make towards financing their economic development. At the same time, the deterioration in the terms of trade had the cumulative effect of increasing their impoverishment while benefiting the industrial countries. Lastly, the measures adopted by some of the industrial countries to encourage the use of synthetic instead of natural products, together with the trade policy of others, had had a decisive influence on the marketing and prices of the primary products which the under-developed countries exported. As far as synthetic products were concerned, it was possible, of course, to argue that there was no resisting progress, but it was important that economic autarky should not be fostered in countries which could well afford to practise a policy of freedom of trade without seriously jeopardizing their standard of living. As to trade policy measures, atten-

tion should be drawn to the action of certain countries in imposing severe quantitative restrictions on the importation of agricultural goods. Such measures undoubtedly hampered the normal development of international trade and deprived many of the under-developed countries of the foreign exchange necessary for their economic expansion. Referring in that connexion to the observations made on page 76 of the report on *Economic Developments in the Middle East 1954-1955*, he explained that it had been the Egyptian Government's practice, prior to the opening of the Cotton Exchange, to base the price of Egyptian cotton on that of American cotton, whereas the import of Egyptian cotton into the United States was subject to a rigid quota system. At the same time, the methods adopted by certain large countries for disposing of their agricultural surpluses endangered the stability of the prices of those products on the world market. The question of agricultural surpluses should be solved by international agreement and not by a unilateral decision which was reflected in dual prices for the same product and produced consequences similar to those of dumping.

31. The under-developed countries were then in a position hardly conducive to rapid economic progress. Indeed, that was borne out by the history of the post-war period, and it was one of the causes of the unbalanced situation of the world economy.

32. There could be no doubt that the economic development of the under-developed countries called for international co-operation. Such co-operation, of course, already existed, and he had no wish to belittle what had been done through bilateral or multilateral agreements. The international community had set up the International Bank for Reconstruction and Development (Bank) to provide finance for sound economic development projects, and it was intended that the international finance corporation should supplement the Bank's activities. The United Nations had been trying for years to set up the Special United Nations Fund for Economic Development; the opposition shown at the start was diminishing, and it was to be hoped that the fund would soon be established. Lastly, the United Nations Expanded Programme of Technical Assistance marked the triumph of the spirit of international co-operation.

33. Great though those achievements were, however, they hardly matched the gigantic problems of economic under-development. The Secretary-General had rightly drawn the Council's attention at the 934th meeting to the importance of international trade for the development of the under-developed countries. The Council should use its authority to convince the world that freedom of trade was the condition of economic development, and that it was contrary to the economic interests of the international community as a whole to prevent the free flow of exports from the under-developed countries to the markets of the developed countries.

34. Egypt, of course, was fully alive to the difficulties arising in that field. It was impossible to ignore certain facts which had a decisive influence on the course of political, economic and social events. To begin with, the political division of the world into two opposing camps entailed vast military preparations which drained economic resources and hampered normal trade developments. Secondly, the period which followed the Second

World War had been characterized by the liberation of many countries whose inhabitants, in their hundreds of millions, were now seeking to consolidate their political freedom by rapid economic and social advances. That raised new problems which could not be solved on the basis of the old standards. Thirdly, private capital, which had formerly found its way to the under-developed regions for investment, could no longer play the important role previously ascribed to it. The source of private capital had moved westwards, and American private capital was attracted to specific investments of a profitable nature in certain countries, or to specific undertakings.

35. As far as his own country was concerned, it had made persistent efforts to ensure its economic development and to fulfil its obligations under the United Nations Charter. Egypt was a typical example of an agricultural country bent on industrialization. It was an exporter of one primary product—cotton—which, with its supplementary products, accounted for 90 per cent of Egyptian exports. Hence, the rate of Egypt's economic development depended on the relation between cotton prices and those of the manufactured articles which it must import for the purposes of development. The level of economic activity in the country was therefore determined not so much by the volume of exports as by the value of cotton in relation to that of imported goods. Changes in the terms of exchange had profound repercussions on Egypt's whole economy, as on that of all countries exporting primary commodities. Fluctuations in export prices in terms of the national currency led either to inflation or to deflation. Such was the foundation on which Egypt must build in seeking the balanced development of its economy.

36. Since the revolution of 1952, Egypt had carried out certain reforms, the most important being the agrarian reform. Its recently promulgated Constitution laid the foundations of a new economic system by proclaiming the inviolability of private property while regarding it as a servant of the community. Under the new Constitution, the national economy was to be organized in accordance with the principles of social justice and must tend towards developing production and improving the standard of living. In 1953, Egypt had set up a Production Council to promote economic development and had enacted important legislative measures to encourage the investment of domestic and foreign private capital in economic development projects. Statistics showed that the capital of Egyptian joint-stock companies had grown by £E33 million between 1952 and 1955. In addition to the private sector of the economy there were public and semi-public sectors which were essential factors in the Egyptian programme of economic development. The programme was partly financed by national loans but, in order to obtain the foreign currency necessary for its execution, the Egyptian Government had had to give priority to the import of capital goods and to reduce imports of luxury articles. At the same time, as a result of negotiations between the Egyptian Government and the Suez Canal Company, the latter had undertaken to invest in Egypt part of its profits in foreign currencies. Yet, despite all that Egypt had already accomplished, sacrifices were still necessary if it was to achieve its object.

37. In conclusion, he emphasized that the development needs of the under-developed countries could not be met by their own efforts alone. The Charter of the United Nations had made that point quite clear by the emphasis it had placed on the need for united action in that field.

38. Mr. NOSEK (Czechoslovakia) said that to obtain a clear idea of the general trend of world evolution, it was necessary to appreciate the historical significance of the fundamental changes which had taken place in the world's economic and social structure since the end of the Second World War. That was of especial importance to the work of the Council, since a right solution of the economic and social problems of the world would greatly help to lessen international tension and to ensure that universal peace without which no general improvement in the material and cultural level of mankind could be attained. On the other hand, a wrong solution might produce exactly contrary results. Such problems, however, were complex and difficult to solve, and must be approached in the light of a realistic analysis of the world situation.

39. One of the basic factors in that situation during the last ten years had been the formation of new relations between peoples, owing to the fact that the economic system based on central planning had now become world-wide and on an equal footing with the capitalist system, based on private enterprise. That change had had, and continued to have, a vital influence on the economic and trade relations between peoples and between States.

40. Another outstanding feature of the last ten years had been the development and intensification of an armaments race in certain countries, which had led to the militarization of their economies and had given a strategic character to the so-called "assistance" which they furnished to other countries, on condition that they participated in military alliances. Another consequence of the armaments race had been the export of capital in a variety of forms for military purposes. And yet another result had been an increase in taxation, the burden of which fell on the working masses. There was no need for him to stress how much the living conditions of workers in all countries, and particularly in the under-developed regions, could be improved if even a part of the money spent on armaments were devoted to financing the economic development of those regions and economic expansion in general. That was why the whole of mankind attached such importance to the proposals submitted by the USSR to the United Nations Disarmament Commission. The decision of the Governments of the Soviet Union, Czechoslovakia and other countries to reduce their armed forces was likewise of great significance.

41. Finally, the post-war world had been influenced by the course which affairs were beginning to take in the under-developed countries. Thanks to a general movement towards national liberation, the economic development of those territories was now taking place in a new political atmosphere, more favourable than that which had prevailed in the past. Many of the territories were still in a lamentable state economically and socially—a heritage of colonial domination. It should be remembered that, even in the most advanced of the under-developed countries, the volume of industrial goods

available per head was only one-tenth of the figure for North America or Europe. The Council had frequently studied the problem of the economic development of the under-developed countries, and its activities in that field over the past ten years had yielded positive results, among them the implementation of the United Nations Technical Assistance Programme. In that connexion, it was gratifying to note that the axiom that the key to the development of the under-developed countries lay in the expansion of their industry and agriculture was now recognized and acted upon in many of the countries concerned.

42. If one compared production levels in the countries with planned economies and in those with economies based on private enterprise, it would be found that in some sectors *per capita* production in countries in the first category, which had embarked on industrialization at a later stage and which in many cases had suffered greater damage as a result of the war, remained somewhat below the figure for the United States of America and the industrialized countries of western Europe. The gap had been substantially narrowed over the past ten years, however, and under the various five-year plans launched in the present year it was envisaged that the socialist countries would catch up and continue to go ahead. That was a healthy tendency in full accord with the spirit of peaceful competition, the aim being to ensure the general expansion of the economy, with all the social prosperity which that would bring in its train.

43. However, to assess a social system at its true value, it was necessary to consider the general long-term rate of economic development. If the figures for 1937 and 1955 were compared, it would be found that industrial production in Czechoslovakia had more than doubled; that that of the People's Democracies in Europe as a whole had increased by 231 per cent; and that that of the Soviet Union was nearly five times as great. There had also been an increase in production during the first ten years since the war in the countries with economies based on private enterprise, but it had been unequal and generally less than in the countries with planned economies. For example, the 1955 figure for industrial production in all the countries with economies based on private enterprise was 96.4 per cent higher than in 1937; and even so, allowance had to be made for the fact that the United States of America had not only been spared direct war damage but had been able to increase its production and capacity.

44. Furthermore, the economy of the socialist countries was of a pacific character in keeping, indeed, with the inherent nature of the socialist system. Thus, the bulk of their expenditure was devoted to developing the national economy and satisfying the social and cultural needs of the population. In the industrialized countries with economies based on private enterprise, on the other hand, military expenditure had absorbed a very large part of the national budget. It was that militarization of the economy that had enabled a high level of production to be maintained in certain of them. But while excessive military expenditure could mitigate the effects of the fluctuations in economic activity for a time and be a source of very high profits, it could not ensure stability of economic development. Expenditure of that kind

had resulted in several countries in the emergence of inflationary pressures, with the evil consequences which they had on the standard of living of the population in general. The *World Economic Survey 1955* (E/2864) did not pay sufficient attention to that problem, just as it did not sufficiently stress the instability which, since the war, had attended the development of many of the countries with economies based on private enterprise. The *Survey* said nothing of marketing difficulties or of the intensified competition between the countries with an established position in world markets.

45. Turning to the employment position, which was another index of economic development, it would be found that the industrialized countries with economies based on private enterprise had failed—contrary to the assertions made in the *Survey*—to achieve a stable position of full employment. In 1955, eleven industrialized countries, including the United States, the United Kingdom and France, had had seven to eight million fully unemployed, apart from partially unemployed the figures for whom were, in many cases, not given in the official statistics. Though there was talk in those countries of a manpower shortage, and even of over-employment, thousands of workers were being dismissed in one sector or another because of difficulties in selling particular products.

46. Employment was now a question of prime concern due to the introduction of new methods of production and automation. Those new methods could be a great help in increasing labour productivity and promoting economic development, and hence social progress in general. It should be possible, thanks to them, to cut hours of work without reductions in wages, as well as to lower the prices of consumer goods and so increase the real value of wages. Czechoslovakia, for its part, had already taken action in that direction; the working week would be reduced to only 46 hours from 1 October 1956, without any reduction in wages.

47. The level of activity in certain capitalist countries had also been raised since the war by economic, political and military expansion abroad. Such expansion had produced a number of disturbances in traditional relations between countries and had deepened the conflicts of interest between them. One of the phenomena resulting from it had been the policy of economic discrimination applied to the socialist countries. On that point, it must be said that the Council had so far done little to help eliminate those discriminatory measures, which constituted an anomaly in international relations. Yet, nowadays, such economic discrimination—a relic of the cold war—was rejected by economic circles in those very countries where it had first made its appearance. As could be seen from the *Survey*, trade between eastern and western Europe had already expanded in recent years, though it still fell short of what was possible. The trend towards more normal economic relations between countries was a welcome one and a practical application of the principle of peaceful co-existence.

48. In his delegation's opinion, peaceful co-existence implied the establishment of fruitful co-operation between countries with different social systems by which the peoples were brought closer together and the way opened

to an expansion of production and an improvement of living standards, more particularly in the less developed countries. A new kind of relationship founded upon mutual assistance, co-ordination of economic plans, the exchange of experience and the reciprocal grant of favoured treatment on a basis of absolute equality had already been established between the countries with planned economies. Such a relationship demonstrated the possibility and the value of establishing friendly relations, likewise founded on the principle of equality, between countries with different social systems. There could be no doubt whatever that a development of mutually beneficial economic, social and cultural relations between all countries would contribute not only to the economic and social advancement of the world as a whole, but also to the consolidation of peace. It was for that reason that his delegation attached such importance to the development of world trade as a practical application of the principle of peaceful co-existence.

49. The Economic and Social Council owed it to itself to give constant attention to that fundamental problem. It was primarily a question of eliminating the political and economic obstacles impeding international trade. In that respect the creation of an international organization for trade co-operation would without any doubt be of great use, and the Czechoslovak delegation therefore supported the Soviet Union draft resolution on that subject (E/L.734). The regional economic commissions could give valuable help to the Economic and Social Council in performing the tasks assigned to it by the Charter. In his delegation's opinion, the three regional economic commissions would be more successful in their work if they included all the countries in their regions and took action more often.

50. The Czechoslovak delegation noted with satisfaction that the United Nations Secretariat was making increasing efforts to take into consideration the new realities which marked world economic developments, but could not approve all the assertions made in the various studies submitted to the Council on item 2 of its agenda.

51. Referring briefly to the main developments in his country's economy since the Second World War, he recalled that the reconstruction and development plan covering the years 1947 and 1948 had brought Czechoslovak industrial production up to or even above its pre-war level. Subsequently, during the first five-year plan, from 1949 to 1953, industrial production had increased each year at an average rate of 15 per cent; by the end of 1955, industrial production had been 143 per cent higher than in 1937. The increase in production and in the volume of foreign trade had made possible a constant increase in the consumption of foodstuffs and industrial goods. To obtain an accurate picture of the rise in the standard of life of the Czechoslovak people, the services financed by the State for the people's benefit must be taken into account. The second five-year plan envisaged an increase of at least a third in personal consumption. The real wages of Czechoslovak workers had been increased substantially by the series of reductions in prices of consumer goods.

52. Finally, he hoped that the Economic and Social Council would pursue its activities in an ever more



favourable international atmosphere. Czechoslovakia, faithful to her peaceful policy, would support any action taken by the Council and the other bodies of the United Nations to develop economic relations between countries and strengthen international peace.

53. Mr. CARANICAS (Greece) said that he had little to add to the very constructive contributions of the previous speakers. He would therefore confine himself to considering the future prospects of the world economy in the light of developments during the past decade.

54. Economic development in the centrally planned and the private-enterprise economies alike had been rapid in the past ten years. The post-war investment programmes had successfully stepped up industrial production, and agricultural production had expanded too, although in general food production had failed to keep pace with the increased population. Many agricultural producers, chiefly highly developed countries, were actually suffering from surpluses rather than shortages.

55. The problem now was how to maintain the high level of economic activity in the industrial countries and to avert cyclic depressions. The present business boom needed careful watching, particularly in view of the weaknesses in the agricultural position and the slower accumulation of dollar reserves outside the United States, to which the French representative had referred at the 937th meeting. Certain symptoms in the United States were causing apprehension, not only in the industrial but also in the under-developed countries. The slowing down in certain sectors of the United States economy, such as the motor industry, could have repercussions elsewhere, as the Indonesian representative had pointed out at the 934th meeting in connexion with rubber. It was difficult to tell whether the trouble was superficial or indicated a more drastic trend. Over-all production in the United States ought to be increasing by about 5 per cent annually, since the population was increasing by about 2 per cent and productivity by at least 3 per cent; but it had in fact remained stable since September 1955. That, and other indications, such as the movement of prices for non-ferrous metals, suggested that a turning-point was being reached in the United States; and events there could not be ignored by Europe, despite the fact that Europe had emerged from the 1953 United States recession almost unscathed. However, the resistance shown in most sectors of the United States economy suggested that, if a real recession did eventually occur there, it would not be far-reaching or of long duration.

56. Although periods of prosperity and recession in the world economy continued to alternate, the swings during the past ten years had been comparatively small. The economists who believed that violent swings were a thing of the past, and that because the world was at present going through a phase of long-term expansion a period of prosperity lasting up to 1970 was to be expected, were probably right.

57. Nevertheless, the present stagnation in the United States showed signs of being more serious than the two other post-war recessions in 1948 and 1953. Moreover, the inflation which in many other countries had been

continuing throughout the decade represented a very grave problem—more particularly the “repressed” type of inflation, which was clearly predominant. The effectiveness of the “built-in stabilizers” and other monetary and financial measures, designed to control fluctuations, had still to be seriously tested. A real uncertainty hung over the future; economists held conflicting views as to both the nature of the existing problems and the chances of prosperity being maintained.

58. In connexion with inflation, particularly careful attention needed to be given to the effects of over-employment, which had come to be one of the main problems in the industrialized countries of western Europe. Depletion of the labour reserve during boom periods led to wage increases, which in their turn caused a rise in prices not matched by increased productivity. A state of over-employment could not be maintained without permanent inflationary pressure. The wage claims which trade unions were enabled successfully to maintain in some industrial countries tended to make matters worse if productivity was not stepped up. As was pointed out in a recent Government White Paper issued in the United Kingdom,<sup>1</sup> where the problem was particularly acute, full employment could be reconciled with price stability only if the trade unions exercised self-restraint in making wage claims. It remained to be seen whether the leading industrial countries would have the wisdom to exercise wage restraint. General monetary measures—such as increased discount rates and credit restrictions—were of great importance, but their efficacy depended upon the adoption of a responsible attitude by labour, and also by governments themselves in their expenditure on such items as nationalized industries and the financing of budget deficits.

59. He could not agree with the Czechoslovak representative that there was substantial unemployment in the highly developed countries of western Europe. Where unemployment and under-employment did exist was in less developed European countries like Greece or in southern Italy; there the basic cause was over-population, a problem which could only be effectively tackled by drastic measures affecting the structure of the country's economy.

60. That pointed to another method by which the shortage of manpower in western Europe might be eased. The use of immigrant labour would have an anti-inflationary and stabilizing effect similar to that of a high level of savings. The influx of refugees into western Germany provided a useful example. Recently Professor Bresciani-Turroni had drawn the attention of the countries suffering from over-employment to the fact that they could ease the inflationary pressure on their economies, thereby also serving the interests of the working classes, by opening their frontiers to Italian labourers. The same thing might be said of immigrants from Greece. Immigrant labour could, however, only be regarded as a palliative. Nevertheless, the full employment obligation to which Member States had subscribed in the United Nations Charter was not only

<sup>1</sup> *The Economic Implications of Full Employment*. Cmd. 9725 (London, H.M.S.O., 1956).



a national, but an international one, and it was therefore incumbent on them to endeavour to ease the position of other countries which suffered from under-employment.

61. For the under-developed countries also, much hung on the success of the developed countries' efforts to

avert a major economic setback. The situation called for constant vigilance on the part of the authorities in the industrialized countries, together with close international economic collaboration through existing international agencies or new forms of multilateral co-operation.

The meeting rose at 1 p.m.