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ECONOMIC AND EMPLOYMENT COMMISSION**SUB-COMMISSION ON ECONOMIC DEVELOPMENT****Second Session****SUMMARY RECORD OF THE THIRTY-EIGHTH MEETING**

Held at Lake Success, New York
on Tuesday, 22 June 1948, at 2.30 p.m.

Chairman: Mr. V. K. R. V. RAO

Vice-Chairman and
Rapporteur: Mr. Manuel BRAVO Jimenez

Members: Mr. Josef HANC
Mr. Roberto CAMPOS
Mr. Y. T. SUN*
Mr. A. P. MOROZOV

Representatives of Specialized Agencies:

Mr. E. LOPEZ-HERRARTE	International Bank for Reconstruction and Development
Mr. J. J. ANJARIA	International Monetary Fund
Mr. Hugh GOSSCHALK	Interim Commission of the International Trade Organization

Consultants for Non-Governmental Organizations:

Mr. Alfred BRAUNTHAL	American Federation of Labor
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Secretariat:

Mr. David WEINTRAUB	Representing the Assistant Secretary- General
Mr. B. G. GHATE	Secretary

* Alternate for Mr. D. K. LIEU

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FURTHER CONSIDERATION OF ITEM 4 OF THE AGENDA

The CHAIRMAN wished to know whether there were any further comments with regard to his previously suggested principles for technical assistance.

Mr. HANC accepted them with the following additions:

(1) a statement on the Sub-Commission's inability to evaluate separate methods of technical assistance because of lack of opportunity to study their results; and a recommendation to individual organs of the United Nations to study the results; (2) an appeal to the International Monetary Fund and the International Bank for Reconstruction and Development to make technical publications available to governments and to members, and for general use. Those publications would be arranged according to topics and nations, in the latter case, subject to the agreement of the countries concerned.

Mr. BRAUNTHAL (American Federation of Labor) recommended that fellowships for training abroad should include workers in such fields as social welfare in order to give them an opportunity to study similar services in more advanced countries.

Concerning Mr. SUN's suggestions, he observed that expert groups for technical advice on industry should also include experts on housing and town-planning. He noted, in that connection, that housing problems arise as the concomitant of any industrial development even the construction of one plant in a small community.

At the request of the Chairman, the Sub-Commission accepted without comment - suggestions put forward by the Chairman at an earlier meeting.

The CHAIRMAN pointed to the possibility of sending technical experts to different countries for short training periods, noting that such seminars had been held under UNRRA. He made the additional suggestion that the facilities of private consulting firms, operating on a commercial basis, might
/possibly be

possibly be availed of for purposes of technical assistance. The Sub-Commission might want a study of such institutions made.

At the Chairman's request, Mr. BRAVO reported briefly on Mexico's experience along those lines, both with commercial firms and with institutions operating at cost. The best results had been obtained when the foreign technicians concentrated on very specific problems - say, layout of a plant, or rationalization of a particular industrial process; they were not, in general, sufficiently familiar with broader aspects of the economy. The difficulty was the high cost of foreign technical services, which were frequently four or five times as high as similar services of local technicians. However, the cost might be sometimes justified by the prestige and competence of the foreign firms. The best method might be that of having groups of local people work jointly with foreign engineers. Foreign technical aid of the commercial type had been helpful in developing some of Mexico's industries - the packing industry, for example.

Mr. HANC thought that technical assistance by commercial firms should not be encouraged.

Mr. MOROZOV stated that he would withhold his remarks on the Chairman's suggestions until they had been presented in writing. In general, Mr. Morozov felt that as long as the Sub-Commission lacked factual information on real obstacles to industrial development, it would have difficulty in working out a practical and realistic scheme. As regards the suggestion that expenditures for technical assistance might be borne by governments supplying the experts, he believed that such an approach would put the problem on an unrealistic basis. Having followed the discussion on that question since the second part of the first session of the General Assembly, he stated that the main principle was to provide countries with assistance which was objective, that is in their interests.

/The United Nations

The United Nations would do well to ensure the objective nature of such assistance, and, to attain this, the countries receiving assistance should be prepared to bear its cost. Furthermore, by ensuring the principle that technical assistance should not be provided on a profit-making basis, the United Nations would help countries which hitherto had been paying commercial firms for technical assistance. The question of expenditures for experts could not weigh too heavily with countries ready to embark upon costly programmes of industrial development; it would be more harmful if the assistance were cheap but neither objective nor in the interests of the country requiring it. In view of those considerations, he proposed that the Sub-Commission should recommend that technical assistance should be paid for by the countries seeking it. Without such a provision the recommendations might be beautiful, but ineffective.

In reply to a question by the Chairman, Mr. Morozov explained that his statement did not concern action taken by the specialized agencies, which could provide technical assistance as they saw fit. He had referred only to assistance extended through the Secretariat of the United Nations, and hoped that such functions would develop progressively. The principle should be to make the cost incurred reimbursable by the benefiting countries. Forms of technical assistance should be left flexible, varying from country to country, with no attempt at general regimentation.

After some discussion, Mr. HANC suggested that commercial firms should not be mentioned in the Sub-Commission's report so as not to provide them with free advertising.

The CHAIRMAN then turned to the question of gaps in the machinery of the United Nations and specialized agencies for promoting the function under discussion. The International Trade Organization which, according to Chapter III of its Charter, was to assist in the industrial development of its Members, had not yet come into existence. Also, while a number of specialized agencies and regional commissions dealt with various phases of economic development, thus

/touching upon

touching upon industrialization, there was no specific agency or authority responsible for rendering technical assistance to countries for the purpose of developing such aspects of industrialization as mining, transportation, and power-generation. Neither was there any special unit in the United Nations Secretariat to deal with the matter. Yet the Sub-Commission had stressed the primary importance of industrial development in the report of its first session. In view of those considerations some centralized international arrangement in that field was necessary in order that countries might know where to turn for technical assistance with which to solve their general as well as specific problems of industrialization. Such an organization would also have the important function of recording the progress of industrialization in different countries, and studying the obstacles to it with a view to overcoming them. He cited the example of technical groups for specific fields established by the ECE. There was need for study of important non-agricultural raw materials and equipment, and of problems of international monopolies, of the patent system, and of legislation or procedures interfering with industrialization in under-developed countries.

He agreed that establishment of international agencies alone was not enough, above all, the interest and co-operation of Members of the United Nations were necessary; nevertheless the creation of such an organ would contribute to a solution by stimulating interest and focussing attention on the problem. The Sub-Commission should therefore consider the possibility of recommending to its superior organs the need for special provision for technical assistance and international machinery for promoting the development of industrialization, either through a specialized agency, or through a section in the United Nations Secretariat.

Mr. HANC pointed to the existence of several international organizations of fifteen to thirty members, covering, if not industries, at least a number of commodities, such as the International Advisory Cotton Committee, the International Tin Study Group -- consisting of representatives of consumers,
/producers and

producers and governments -- the International Rubber Study Group, also consisted of representatives of consumers and producers, for studies of natural and synthetic rubber, the International Wheat Council, an operating agency, and the International Sugar Council.

In reply to a question by Mr. MOROZOV, the Secretary of the Sub-Commission stated that the Department of Economic Affairs of the United Nations Secretariat had two hundred and fifty members.

Mr. MOROZOV felt that it was not a matter of creating an additional specialized agency or other United Nations unit, in view of the fact that industrialization was not an independent specific problem, but, as previously noted, the fundamental factor in all economic development. Under-developed countries could be assisted in industrialization, in the first place, by a proper trade policy. International trade was the most important form of international co-operation through which more developed countries should help in the industrialization of others less developed. The problem of industrialization was the responsibility of the United Nations and specialized agencies. No special new body was needed in view of sufficient facilities already in existence. Since the problem of industrialization was of primary importance, the Economic Department, consisting of two hundred and fifty persons, should be able to study obstacles to industrialization in under-developed countries, and transmit that information to all organs concerned, including the present Sub-Commission. Furthermore, there were also the regional Commissions studying related problems; each of those commissions had its own Secretariat; consequently there was sufficient machinery already in existence.

Mr. HANC agreed with the Chairman's remarks concerning gaps, but proposed that rather than make difficult decisions on all the ramifications of the problem, the Sub-Commission should refer in its report to the existence of such a gap, and state that it could be removed by better correlation of work between the regional commissions, the specialized agencies and other bodies.

/Mr. CAMPOS

Mr. CAMPOS agreed with the Chairman's remarks concerning the gaps.

The creation of a new specialized agency would be the most spectacular, but also the least effective, solution. The International Trade Organization, once established, would fill many existing gaps, while not separating trade from technical assistance for industrial development. While it was true that the organization's entry into force was uncertain, the same problem would arise in connection with any other specialized agency to be established. He supported the establishment of a special group in the United Nations Secretariat which might later become the nucleus of a future ITO-unit. But even such an undertaking would create difficulties in view of the wide field to be covered and the entailed expenditure for various experts. The Secretariat might follow in the Resolution A proposed by the Economic and Employment Commission (document E/790, page 6) concerning Expert Assistance to Member Governments in the Field of economic development. Under that resolution, the Secretary-General of the United Nations might hire experts on industrial development on an ad hoc basis. He therefore proposed that the Sub-Commission should inform the Interim Commission of the ITO of its opinion and suggestions on the matter of gaps, and ask the Interim Commission what parts of the field under consideration the ITO expected to cover. The Sub-Commission might also refer to the above-mentioned resolution of the Economic and Employment Commission, asking the Secretariat to state its own requirements for filling the gaps indicated by the Sub-Commission.

Mr. WEINTRAUB (Secretariat) observed that the draft resolution was at present a mere recommendation to the Economic and Social Council and would have to be approved by the Council and by the General Assembly. No special machinery had as yet been set up by the Secretariat, nor had any budgetary provisions been asked for since the exact needs were not yet clear. Until more was known about the number and nature of requests likely to be received, specific plans could not be made. If only one or two requests were received, the present staff of the Secretariat might be sufficient to meet the needs; should requests grow more numerous or should they cover fields in which the Secretariat had no properly /qualified staff,

decision of the Sub-Commission, he thought that it might suggest that the method of filling these gaps were a responsibility of the Secretary-General. Should a new agency be created eventually for that purpose, it would find a foundation laid by the preliminary work of the Secretariat. Mr. Weintraub also stressed the importance of having requests for technical assistance accompanied by indications of their background and of the national action to which they were related, so as to enable the Secretariat to assess their value.

Mr. MOROZOV did not think it would be proper for the Secretariat to exercise such control; the fact that the country concerned was prepared to bear the costs of the assistance requested would be a sufficient guarantee that the request was well-founded.

The CHAIRMAN thought that the Sub-Commission might suggest that technical teams of experts would be sent to countries only on the understanding that such countries would give serious consideration to recommendations subsequently made. He was opposed, however, to laying down in advance any conditions which would seem to mean that the country concerned would have to give evidence of ability to carry out the recommendations.

Mr. WEINTRAUB (Secretariat) explained that his suggestion had been misunderstood. It meant no more than what the Economic and Employment Commission had in mind when it stated, in its first report, that countries desiring technical assistance should do as much preliminary work as possible; and that "The greatest and most lasting improvements of the standards of living of the less developed countries or areas are likely to flow from projects which are integral parts of long-term and balanced programmes of development." Assistance should be given in the light of the Organization's obligations under the Charter to

/promote

promote economic development and stability in the world as a whole. If a large number of requests for assistance should be received, such considerations should serve as a guide in making any choice that a limited budget might necessitate.

He further pointed out that requests for technical assistance usually originated in conversations between a representative of the country concerned and a member of the Secretariat. Informal discussion might reveal that the needs of the country were along different lines from those it had at first contemplated. Certainly there should be thorough investigation of a country's needs before expensive technical assistance was furnished.

The CHAIRMAN agreed with Mr. Weintraub on the importance of insuring thorough preliminary conversations in order that the technical assistance would be of the most useful type.

In reply to a question by Mr. BRAUNTHAL (American Federation of Labor), concerning whether the advice of experts would be purely technical or based on a thorough study of the industrial and social conditions in the particular country, Mr. WEINTRAUB (Secretariat) said that the type of advice given depended upon the nature of the request. Except on purely technical points, little worthwhile advice could be given unless it took into account the actual on-the-spot conditions.

The CHAIRMAN turned to consideration of the question of the supply of capital goods and raw materials.

Mr. HANC recalled that several studies had been recommended in the first report of the Sub-Commission, namely on the danger of over borrowing, terms and conditions of international loans, relative trends of prices; and technical assistance. Of these, only the last named subject has been discussed. He suggested that a study of the desirability and possibility of allocation of capital goods might be useful.

/Mr. CAMPOS

Mr. CAMPOS suggested that capital goods shortages might be examined in connection with the proposed study on price relationships, which might be developed into a general inquiry into obstacles to trade. Some countries felt that if industrial nations wanted free access to raw materials, the less industrialized countries should have free access to capital goods and that agreements for the allocation of agricultural products should be counterbalanced by agreements for the allocation of industrial equipment. He thought the idea fair in general, in spite of the many differences.

The CHAIRMAN indicated that the United States put certain restrictions on the export of capital goods, the exact nature of which he did not know. He feared that countries which did not come under the Marshall Plan would find it increasingly difficult to secure capital supplies from the United States. The Sub-Commission might wish to make a statement concerning the extent to which restrictions on the availability of capital equipment would affect world economic development, especially in the cases of the under-developed countries and of countries which might themselves be able to export capital goods.

Mr. HANC favoured Mr. Campos' suggestion to combine the study of the shortage of capital goods with that of price relationships.

Mr. BRAUNTHAL (American Federation of Labor) suggested that the principles for the allocation of goods followed by organizations such as the European Coal Organization might be examined with a view to determining the extent to which they might be applied in allocating raw materials and capital goods.

At the suggestion of Mr. CAMPOS, the CHAIRMAN said that the discussion would be continued at the following meeting.

Mr. HANC reminded the Sub-Commission that it had stated in the report of its first session that it proposed to take up at the present session
/further study

further study of the dangers of over-borrowing, in connection with inter-governmental loans; the question of interest rates on loans and of free loans versus tied loans; the prices of capital goods; and technical assistance. So far it had dealt adequately with only the last point.

Mr. MOROZOV reserved his right to make corrections to the summary records of the meetings, if necessary, after the close of the Sub-Commission's session, indicating that the very first record he had the opportunity of seeing contained an entirely incorrect recording of a reference he made to the ITO Charter.

The meeting rose at 5.30 p.m.