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ECONOMIC AND EMPLOYMENT COMMISSION
SUB-COMMISSION ON ECONOMIC DEVELOPMENT

Third Session

SUMMARY RECORD OF THE SEVENTY SECOND MEETING

Held at Lake Success, New York,
on Monday, 11 April 1949, at 11 a.m.

CONTENTS:

Second draft of the report on mobilization of financial
resources for economic development.

Chairman:

Mr. RAO

Vice-Chairman and Rapporteur:

Mr. BRAVO Jimenez

Members:

Mr. GUIMARAES

Mr. LIEU

Mr. MOROZOV

Mr. COLLADO

Mr. PATEK

Representative of Specialized Agencies:

Mr. EVANS

International Labor Organization (ILO)

Secretariat:

Mr. DORFMAN

Secretary of the Sub-Commission

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SECOND DRAFT OF THE REPORT ON MOBILIZATION OF FINANCIAL RESOURCES
FOR ECONOMIC DEVELOPMENT.

The CHAIRMAN, in opening discussion of the second draft of the Sub-Commission's report, requested members not to raise questions of substance unless they had previously announced their intention of doing so.

Mr. MOROZOV stated that his study of the report had been hampered by mistakes in the translation into Russian. He requested a corrected copy of the Russian translation.

The CHAIRMAN suggested that, in order to save the Sub-Commission's time, the Secretariat might be entrusted with the task of making a number of purely verbal and grammatical changes in the report. No changes of substance would be involved.

Mr. MOROZOV opposed the suggestion on the ground that it was not the accepted practice for a report to be amended after having received the Committee's approval.

The CHAIRMAN accordingly agreed that verbal and grammatical amendments would be submitted paragraph by paragraph.

The Chairman announced that Mr. Collado was not in agreement with paragraphs 29 to 41 of the report, and wished to have a note included in the report stating his personal views. The note would begin by a statement to the effect that Mr. Collado was unable to concur in paragraphs 29 to 41, which would be followed by paragraph 2 of his original note and by paragraph 32 of Annex 2 B.

The Chairman added that he was prepared to withdraw the note setting forth the Sub-Commission's views on Mr. Collado's statement, which had been approved by the Sub-Commission.

It was agreed to withdraw the note.

PART I

Paragraphs 1 and 2

Paragraphs 1 and 2 were approved without amendment.

/ Paragraph 3

Paragraph 3

Mr. DORFMAN (Secretariat) pointed out that the words "of Functional Commissions" should be inserted after the words "Rules of Procedure".

Mr. Dorfman also suggested that the words "but was able to attend the 72nd and 73rd" should be added to the footnote "Mr. Lieu was unable to attend after the 63rd meeting".

Paragraph 3 as amended was approved.

Paragraph 4

Mr. DORFMAN (Secretariat) suggested that the opening sentence should be amended to read: "The following representatives of specialized agencies participated in the work of the Sub-Commission".

Mr. EVANS suggested that some reference should be made in paragraph 4 to the fact that ILO documents were available to the Sub-Commission. The documents had not been circulated to the members of the Sub-Commission, since they had been distributed at an earlier session.

The CHAIRMAN did not feel able to support Mr. Evans' proposal for the reason that the paragraph referred specifically to documents circulated at the current session. Furthermore, two members of the Sub-Commission had not been present at the earlier session.

Paragraph 4 as amended was approved.

Paragraph 5

Mr. DORFMAN (Secretariat) proposed that the opening paragraph should be amended to read: "The following consultants from non-governmental organizations participated in the work of the Sub-Commission".

Paragraph 5 as amended was approved.

PART II

Mr. DORFMAN (Secretariat) suggested that the opening paragraph should be amended to read: "The following members of the Sub-Commission were unanimously re-elected to serve as officers".

Part II as amended was approved.

PART III

Paragraphs 1, 2, 3 and 5

Paragraphs 1, 2, 3 and 5 were approved without amendment.

Paragraph 4

Paragraph 4 was approved with minor amendments.

PART IV

Paragraphs 1, 2, 3 and 4

Paragraphs 1, 2, 3 and 4 were approved with minor drafting changes.

Paragraph 5

Mr. LIEU felt that the word "maximum" in line 2 would be hard to define. He suggested the substitution of the phrase "must primarily be based".

Mr. MOROZOV objected to the phrase suggested, also to the phrase "fullest possible" suggested by the Chairman.

It was therefore decided to retain the original wording.

Paragraph 5 was approved with minor drafting amendments.

Paragraph 6

Mr. MOROZOV requested that the original wording of his proposals should be retained in translation into Russian. He went on to suggest the deletion of the words "such as" -- which did not appear in the original version -- in the second last line of the paragraph, and the substitution of a comma.

It was so agreed.

• / Mr. COLLADO

Mr. COLLADO suggested that the word "they" in line 15 should read "it", also that the word "countries" should be substituted for "the country" in line 3.

It was so agreed.

The CHAIRMAN proposed that the phrase "foreign equipment and technique" should be amended to read "equipment and technique from abroad".

It was so agreed.

Mr. LIEU was anxious for the deletion of the phrase "the establishment of military bases...".

The CHAIRMAN agreed with Mr. Morozov that Mr. Lieu's proposed amendment was in fact an amendment of substance. If Mr. Lieu had been at earlier meetings, he could have opposed the inclusion of the phrase in the draft report. He suggested that the records should include an indication that Mr. Lieu would have preferred the deletion of the phrase.

Mr. DORFMAN suggested that the phrase "tied up" in line 15 should be replaced by the word "linked".

Paragraph 6 as amended was approved

Paragraph 7

Mr. COLLADO suggested that paragraphs 7 and 8 should be transposed.

It was so agreed.

Mr. MOROZOV pointed out that the Russian text of paragraph 7 did not agree with the English text.

Mr. DORFMAN (Secretariat) suggested that in paragraph 7 the words "role of Government" should be deleted and the words "of Governments" inserted after the word "responsibility".

Paragraph 7 as amended was approved.

Paragraph 8

/Mr. COLLADO proposed

Mr. COLLADO proposed the deletion of the word "the" in the second line of paragraph 8 and the replacement of the word "securing" in the third line by the word "obtaining".

Paragraph 8 as amended was approved.

Paragraph 9

Mr. MOROZOV considered that paragraph 9 lacked clarity, and that the third sentence should be redrafted as follows: "Different projects of economic development (for example, construction of industrial plants etc.) will require different technical forms of financial arrangements."

Mr. BRAVO Jimenez pointed out that the expression "various forms of development" referred to the fact that not all projects could be implemented by one type of financial procedure.

The CHAIRMAN, who said he was in agreement with Mr. Morozov, suggested that the words "various forms of development etc" should be replaced by the phrase "different projects of development require different types of financial arrangements."

Mr. PATEK felt that the wording suggested by the Chairman would lead to misunderstanding.

Mr. COLLADO agreed with Mr. Morozov, and suggested that the words "various projects" should replace the words "different projects".

The CHAIRMAN suggested that the third sentence should read: "Various projects of development (for example, construction of industrial plants or raising the productivity of agriculture) require differing techniques of finance; emphasis will change in the course of development among the various methods etc."

Paragraph 9 as amended was approved.

Paragraph 10

/Mr. MOROZOV suggested

Mr. MOROZOV suggested that the first sentence should read: "Guided by considerations set forth in this part of the Report, the Sub-Commission etc." The second sentence should read "In this consideration it was aided by some etc." A sentence should be added showing that certain members of the Sub-Commission had criticized the documents supplied by the Secretariat.

Mr. COLLADO preferred the wording "With these general principles in mind, the Sub-Commission considered etc."

Mr. LIEU proposed that the word "main" in the second line should be deleted.

The CHAIRMAN pointed out that if the report mentioned the fact that the documentation supplied by the Secretariat had been criticized it would also have to state that certain members of the Sub-Commission had considered that that documentation was well-prepared. In order to meet Mr. Morozov's point of view, he suggested that the last sentence of the paragraph should be deleted.

It was so agreed.

Paragraph 10 as amended was approved.

Paragraph 11

Mr. LIEU suggested that the word "maximum" should be deleted. He pointed out that on pages 2, 3 and 4 of part IV of the draft Report much emphasis had been laid on the utilization of domestic financial resources which, according to the definition given on page 2, included "foreign exchange resources obtained by the export trade of the country." On the whole, he felt that it would be unadvisable for the Sub-Commission, which was supposed to recommend measures for the economic development of under-developed countries, to over-emphasize that point. The Sub-Commission had agreed that capital formation in those countries was necessarily slow, and that acceleration of the process at a forced pace would further lower the standard of living of the people, directly or indirectly, through inflation. The only logical conclusion to be drawn from those facts was that domestic capital in those countries would not be sufficient to meet the needs of economic development.

/As regards foreign

As regards foreign exchange resources obtained from the export trade of a country, in which he felt both visible and invisible exports should be included, the Sub-Commission should realize that few of the under-developed countries could constantly maintain an export surplus in their current account. A few under-developed countries might be in a favourable position in that respect. They might have accumulated a fairly large amount of foreign exchange resources and have been able to buy large amounts of foreign investments in their countries, but many other under-developed countries were not able to do so. He considered that the Sub-Commission should base its recommendations on the conditions in the majority of those countries, and adopt a long range point of view. In emphasizing that "the financing of economic development must be based on the maximum mobilization and utilization of domestic financial resources" the Sub-Commission would furnish an argument to would-be foreign lenders, when approached by some of the under-developed countries for loans, that such loans should not be made until those countries had mobilized and utilized their domestic financial resources to the maximum. It would be very difficult to ascertain and prove that such resources had been so mobilized and utilized.

He pointed out that, during earlier discussions, he had not wanted any detailed discussion to take place on domestic financing of economic development, because he felt that the Sub-Commission should avoid making any statement that might be interpreted as formulating national financial policies of Member States. If a Member State decided to finance its economic development largely with foreign capital, and if it were able to obtain such capital under terms which did not conflict with the spirit of the United Nations Charter, Mr. Lieu did not think that any other country or the United Nations could object to such a policy without infringing the sovereign rights of that Member State.

Mr. MOROZOV, supported by Mr. PATEK, Mr. GUIMARAES and Mr. BRAVO Jimenez stated that they could not accept the amendment proposed by Mr. Lieu.

Mr. COLLADO suggested that the word "individual" should be inserted before the word "Governments".

Mr. DOREMAN (Secretariat) proposed that the word "finance" should replace the word "financing".

Paragraph 11 as amended was approved.

/Paragraphs 12 and 13

Paragraphs 12 and 13

Mr. COLLADO pointed out that the last sentence of paragraph 12 and the introductory part of paragraph 13 were repetitive.

Mr. BRAVO Jimenez said that, as now drafted, paragraphs 12 and 13 contained references to topics which should be separated. Consequently, he suggested the following rearrangement of the sentences:

The last two sentences of paragraph 12 be inserted after the words "the Sub-Commission wishes to emphasize that ..." in the first sentence of paragraph 13; and that the sentence in paragraph 13 beginning with "Such policies alone ..." up to the words "... government action called for" be transferred to the end of that paragraph.

The CHAIRMAN suggested that the words "the several" should replace the word "different" in the seventh line of the first sentence of paragraph 13.

Mr. COLLADO stated that in view of the redrafting of paragraph 13 he withdrew the reservation he had made at a previous meeting regarding that paragraph.

Paragraphs 12 and 13, as amended, were approved.

Paragraph 14

Paragraph 14 was approved with minor drafting changes.

The meeting rose at 2.10 p.m.