

ECONOMIC AND EMPLOYMENT COMMISSION

SUB-COMMISSION ON ECONOMIC DEVELOPMENT

Second Session

SUMMARY RECORD OF THE FORTIETH MEETING

Held at Lake Success, New York  
on Wednesday, 23 June 1948, at 3 p.m.

- Chairman: Mr. V.K.R.V. RAO
- Vice-Chairman and Rapporteur: Mr. Manuel BRAVO Jimenez
- Members: Mr. Roberto CAMPOS  
Mr. Josef HANC  
Mr. Y. T. SUN \*  
Mr. A. P. MOROZOV  
Mr. Beardsley RUML

Representatives of Specialized Agencies:

- |                       |  |
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| Mr. E. LOPEZ-HERRARTE | International Bank for Recon-<br>struction and Development       |
| Mr. J. J. ANJARIA     | International Monetary Fund                                      |
| Mr. H. GOSSCHALK      | Interim Commission of the<br>International Trade<br>Organization |

Consultants for Non-Governmental Organizations:

- |                   |                                      |
|-------------------|--------------------------------------|
| Mr. P. GARVAN     | American Federation of Labor         |
| Miss Edith SANSOM | International Chamber of<br>Commerce |

Secretariat:

- |                     |   |
|---------------------|---|
| Mr. David WEINTRAUB | Representing the Assistant<br>Secretary-General |
| Mr. B. G. GHATE     | Secretary                                       |

\* Alternate for Mr. D. K. LIEU

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CONSIDERATION OF THE FIRST DRAFT OF THE REPORT ON ITEM 3 OF THE AGENDA

Studies on Economic Development in Progress in the United Nations Secretariat

At the CHAIRMAN's suggestion, supported by Mr. MOROZOV, the Sub-Commission decided to consider the draft report paragraph by paragraph and to make general comments at the same time.

Paragraph 1 read as follows:

"The Sub-Commission, has considered the Secretariat studies, on economic development, as outlined in document E/CN.1/Sub.3/19, [in the light of the Commission's observation that 'if the studies which are to come to the Sub-Commission's attention in future sessions are to be completed in time, the Secretariat must plan and initiate those studies not in relation to a single session of the Sub-Commission but over an extended period' (document E/790, paragraph 13). It has also been guided by its own observations, with which the Commission has expressed unanimous agreement, that it would be unnecessary for the Sub-Commission 'to define too precisely the content of these studies or the way in which they should be carried out' ...and 'that the work of the Secretariat would be valuable not only in the compilation, organization and presentation of factual data but also in their analysis of such data'. (document E/CN.1/47, Part VIII, paragraph 6)]".

Mr. MOROZOV proposed that paragraph 1 should be revised in such a way as to reflect the factual situation with regard to the documentation which had been made available to the Sub-Commission. The Sub-Commission had only two essential documents, one dealing with patterns of industrialization, and one dealing with technical assistance.

Mr. HANC wished to have an explanation of the part of the paragraph included in brackets.

/After

After some discussion in which Mr. BRAVO, Mr. MOROZOV, the CHAIRMAN and Mr. HANC participated, it was agreed that the part in brackets should be deleted.

The CHAIRMAN then suggested that paragraphs 1 and 2 should be combined as a new paragraph 1.

Paragraph 2 of the first draft read:

"Since it is the view of the Sub-Commission that industrialization forms the decisive element of economic development and since the Sub-Commission is concerned with the economic development of all the under-developed areas, the Sub-Commission suggests that the primary object of Secretariat studies and researches should be to analyze the various obstacles to general economic development, taking into particular account the problems of and obstacles to industrialization, and should cover Trusteeship and Non-Self-Governing Territories."

As a result of observations and suggestions made by Mr. RUMI, Mr. BRAVO, Mr. CAMPOS, Mr. MOROZOV, Mr. HANC and the CHAIRMAN the text of the new paragraph 1 incorporating paragraphs 1 and 2 of the first draft was adopted in the following form:

"1. The Sub-Commission, in considering the Secretariat studies on economic development as outlined in document E/CN.1/Sub.3/19, reiterates its view that industrialization forms the decisive element of economic development. The Sub-Commission therefore suggests that the primary object of Secretariat studies relating to economic development should be to analyze the various obstacles to economic development, taking into particular account the problems of and the obstacles to industrialization in the under-developed countries, including trust and non-self-governing territories."

/The CHAIRMAN

The CHAIRMAN opened discussion of paragraph 3 of the first draft which would become paragraph 2 of the revised version.

The text of the original paragraph 3 was as follows:

"3. As regards the Secretariat studies of National Plans and Programmes of Economic Development (paragraph 2 of E/CN.1/Sub.3/19), the Sub-Commission suggests that these should include studies of Trusteeship and Non-Self-Governing Territories as well as fully covering the problems of industrialization. In regard to the information obtained in response to the Trusteeship questionnaire and under Article 73 (e) of the Charter, the Sub-Commission suggests that this information should be analyzed from the point of view of economic development and that this analysis, together with copies of the original materials, be sent to the members before each session."

Mr. RUML drew the members' attention to the fact that it would be impossible for them to study the "original materials" obtained in response to the Trusteeship questionnaire and under Article 73 (e) of the Charter.

Mr. MOROZOV suggested the insertion of the words "if possible".

Mr. CAMPOS proposed to substitute "relevant basic" for "original".

Mr. MOROZOV and Mr. RUML stressed that the materials should be in the hands of the members about two months before each session.

The Sub-Commission agreed to the following draft of the new paragraph 2:

"2. As regards the proposed analytical study of National Plans and Programmes of Economic Development, the Sub-Commission suggests that it should take particular note of the problems of industrialization in under-developed countries. In regard to the information obtained in response to the Trusteeship questionnaire and under Article 73 (e) of the Charter, the Sub-Commission suggests that this information should be analyzed for the Sub-Commission from the viewpoint of economic development, this analysis, together with copies of relevant basic materials, being sent to the members before each session."

/The Sub-Commission

The Sub-Commission then considered paragraph 4 of the first draft which read:

"4. As regards the studies of Banking and Financial Institutions (paragraph 4 of E/CN.1/Sub.3/19), the Sub-Commission considers that these studies should relate primarily to the possibilities of and obstacles to the mobilization of internal financial resources in the less developed countries. In connection with the investigation into conditions affecting foreign investments in a number of countries which have absorbed foreign capital in the past, mention was made of the usefulness of the analysis of the problems of double taxation as they affected both the creditor and debtor countries."

With regard to paragraph 4, Mr. MOROZOV pointed out that the Sub-Commission should not reverse its previous stand that loans and credits were preferable to direct investments.

Mr. RUMI suggested that the expression "movement of capital" should be used.

Mr. MOROZOV considered it would be useful to study the conditions under which foreign capital is being supplied. He also wished that the reference to "double taxation" should be deleted since it fell within the scope of the Fiscal Commission rather than the Sub-Commission on Economic Development.

It was agreed that the original paragraph 4 should be divided into two new paragraphs which would bear the numbers 3 and 4, viz.:

"3. As regards the studies of Banking and Financial Institutions in under-developed countries, the Sub-Commission considers that these studies should relate primarily to the possibilities of and obstacles to the mobilization of their internal financial resources.

/"4.

"4. In connection with the study of conditions affecting international movement of capital, due attention should be given to the need for factual information regarding the legal and other provisions in different countries for dealing with foreign capital and their effect on the industrial development of those countries."

The Sub-Commission then considered paragraph 5 of the first draft which read:

"As regards the study of Price Trends in the Trade Between Under-Developed and Industrialized Countries (paragraph 7 of E/CN.1/Sub.3/19), the Sub-Commission suggests that since the object of the study is to examine the problems relating to the supply of capital goods, particularly their availability for export to under-developed countries, it will be necessary to include treatment of the problems relating to the availability of foreign exchange and of currency regulations in the various countries of the world. This study should necessarily cover restrictions on the export of capital goods, including their regulation, contracts governing deliveries and related matters."

After some discussion concerning mainly the expression "price trends" and suggestions made by Mr. HANG, the CHAIRMAN and Mr. RUMI the Sub-Commission adopted the following version of paragraph 5:

"5. As regards the study of the prices of capital goods and the relative trend of such prices and of prices of primary products, the Sub-Commission suggests that since the object of the study is to examine the problem relating to the supply of capital goods, particularly their availability for export to under-developed countries, it will be necessary to include a study of restrictions on the export of capital goods, including their regulation, contracts governing deliveries and related matters."

Paragraph 6 was adopted in the form suggested in the first draft, viz.:

"6. The Sub-Commission considered the outline of the studies of industrialization, as contained in E/CN.1/Sub.3/W.2, and noted that the outline was designed primarily to obtain certain quantitative data on factors relating to industrialization and the development of manufacturing industries in selected countries, or to collect qualitative information on the same subjects when quantitative data were not available. The Sub-Commission was informed that after a number of such quantitative and qualitative studies had been completed, an analytical study of the patterns of industrialization as they have evolved in the various countries would be made by the Secretariat."

It was pointed out that paragraphs 6, 7, 8, 9 and 10 should be considered together. Paragraphs 7 to 10 to read as follows:

"7. The Sub-Commission noted that these studies, as planned by the Secretariat, involve a large amount of historical and statistical research and suggested that it should be limited, as far as practicable, to periods of more decisive influence in the present patterns of industrialization. The periods to be covered must necessarily be left to the experts who will undertake the studies.

"8. The Sub-Commission agrees that the final revision of the outline and the planning, organization, and publication of these studies should be left to the Secretariat; but that these steps should await the written suggestions of the individual members but that they should not be held up longer than the first of October 1948.

"9. However, the majority of the members agreed that the organization of these studies in their two main aspects, namely the collection and the analysis of data, should take the following lines, in order to secure authoritative standing: -

/(a)

- (a) agreement to the carrying out of the study must be secured from the government of the country concerned;
- (b) the government concerned should approve the plan of the study, nominate the experts and finance the study;
- (c) the results of these studies in their final form be referred to the Secretariat of the United Nations for the purpose of considering the quality of the material received;
- (d) as the list of the countries to be finally selected would inter alia depend on the availability of experts the subject regarding the selection of countries should be left to the Secretariat, provided that a sufficient number of representative countries is chosen and that Japan and Germany are excluded.

"10. The Sub-Commission, recognizing that in several cases situations could arise making it necessary to depart from the general lines mentioned above, took note of the alternatives which would then be open to the Secretariat in the selection of the personnel, depending upon the countries in question. Among alternatives open to the Secretariat are: (i) the governments concerned, or the Secretariat, after consultation with the governments concerned, might request individual scholars or institutions in the countries to which the studies might relate to undertake those studies, or (ii) the Secretariat might itself undertake some of the studies as a part of its own work programme."

Mr. MOROZOV reiterated the point that if the Government concerned did not first approve the plan for an industrialization study, choose the experts for it and finance it, no useful results could be expected from the undertaking. He could not accept any solution which did not make that principle clear.

/Mr. CAMPOS



Mr. CAMPOS had no objection to including the procedure advocated by Mr. MOROZOV as one of the alternative methods of procedure which the Secretariat could choose to follow. The procedure should vary, however, depending on the country to be studied. He proposed a new text to be substituted for paragraph 9.

Mr. RUMI said that the procedure suggested by Mr. Morozov would preclude any study of conditions in the United States.

Mr. MOROZOV pointed out that regardless of the country to be studied, factual data concerning it was best known to the people who lived there. The proposed studies were important projects and could only be carried out in connection with similar work that had been done or was being done in the country itself. Further, if a government objected to having its economic situation studied, nothing could be done about it and, in fact, it would be contrary to the principles of the United Nations to attempt to do anything about it.

The CHAIRMAN had doubts as to whether the Sub-Commission had sufficient material before it to recommend such an elaborate series of studies. It was also logical to presume that there already existed similar studies which the Sub-Commission had not had an opportunity of studying. It might be wiser for the Sub-Commission to content itself at this time with asking the Secretariat to make an analysis of existing studies.

Mr. MOROZOV emphasized the desirability of limiting the Secretariat's work to a study of the obstacles to industrialization which faced the various countries in their efforts to achieve economic development.

Mr. HANI, Mr. RUMI, Mr. CAMPOS and Mr. BRAVO accepted the Chairman's point of view. It was agreed that the plan for the studies should be postponed, rather than rejected.

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On the proposal of the CHAIRMAN, the following text, of which the last sentence was drafted by Mr. Ruml, was adopted in place of the draft paragraphs 7, 8, 9 and 10.

"Paragraph 7.

"After considerable discussion the Sub-Commission came to the conclusion that the outline study presented in the Secretariat document is not readily applicable to economic conditions in different countries, either in point of the emphasis to be placed on the different factors to be studied or in respect of the nature of the material available for such study. The Sub-Commission does not also have before it any document regarding the studies which already exist in this field in different countries and the extent to which these would cover the points mentioned in the proposed study. Moreover the Sub-Commission finds it difficult to come to definite conclusions on the technical agency through which these studies should be carried out in different countries. What the Sub-Commission really is interested in is a study of the industrial experience of the world in so far as it would be useful for helping the under-developed countries to evolve rational programmes for their own industrialization and they are not certain whether it is necessary to undertake all these elaborate studies in order to get these results. Under these circumstances the Sub-Commission suggests that the organization of the studies should be postponed pending further consideration by the Sub-Commission of the feasibility and desirability of such studies in the light of such relevant documents as may be placed before it at its next meeting. In the meantime the Secretariat might provide a bibliography of materials showing experience in economic development that might be of interest and indicate their availability."

/CONCLUSION

CONCLUSION OF DISCUSSION ON ITEM 4 OF THE AGENDA

As Mr. RUMI had not been present at the previous meeting, the CHAIRMAN summed up the discussion that had taken place on item 4.

The only observation which Mr. RUMI wished to add was that the governments of under-developed countries should note the fact that they could avail themselves of technical assistance with very little expenditure.

The meeting rose at 6:05 p.m.