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ECONOMIC AND EMPLOYMENT COMMISSION

THIRD SESSION

SUMMARY RECORD OF THE FORTY-FOURTH MEETING

Lake Success, New York,
Wednesday, 21 April 1948 at 11 a.m.

Chairman: Mr. R. WILSON (Australia)
Rapporteur: Mr. J. LUBIN (United States of America)

Members:

Mr. J. WOULBROUN**	(Belgium)
Mr. J. B. TORRES*	(Brazil)
Mr. BAKOUNOV*	(Byelorussian Soviet Socialist Republic)
Mr. J. DEUTSCH	(Canada)
Mr. F. EO	(China)
Mr. N. SILVERIC*	(Cuba)
Mr. R. BYSTRICKY	(Czechoslovakia)
Mr. J. RUEFF	(France)
Mr. R. K. NEHRU	(India)
Mr. G. BOE	(Norway)
Mr. LUTOSLOWSKI*	(Poland)
Mr. A. MCROZOV	(Union of Soviet Socialist Republics)
Mr. N. FLEMING	(United Kingdom)

Representatives of specialized agencies:

Mr. A. A. EVANS	International Labour Organization
Mr. D. LUSHER	Food and Agriculture Organization of the United Nations
Mr. D. GORDON	International Bank for Reconstruction and Development

Observer:

Mr. E. WYNDHAM WHITE	International Trade Organization
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Consultants from non-governmental organizations:

Mlle. L. SPIEGEL	World Federation of Trade Unions
Mlle. T. SENDER	American Federation of Labor

Secretariat:

Mr. A. GOLDET	Representative of the Secretary-General
Mr. D. WEINTRAUB	Secretary of the Sub-Commission

*Alternates at the Third Session

**Observer for the representative of Belgium

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DISCUSSION OF THE REPORT OF THE SUB-COMMISSION ON ECONOMIC DEVELOPMENT
(document E/CN.1/47) GENERAL DEBATE

The CHAIRMAN asked members for their views on the report of the Sub-Commission on Economic Development, on the way in which they visualized the question of economic development in under-developed countries, on the recommendations to be made to the Council on the basis of the above mentioned report and, lastly, on the new instructions which it might be advisable to issue to the Sub-Commission so as to guide it in its work.

Mr. WOULBROUN (Belgium) pointed out that debates on purely economic questions were all too often corrupted by political considerations which deprived them of the constructive character they should have. He warned the Commission against this regrettable tendency which had divided the countries represented at the Havana Conference into three blocs: a bloc of so-called "new" countries, a bloc of so-called "industrialized" countries, and a bloc which, though not making the slightest contribution to the development of the new countries, alleged to be the only one to understand and defend their true interests.

The representative of Belgium pointed out that the apprehensions which seemed to prevent understanding between the "new" and "industrialized" countries were exaggerated. Political interference -- of which no one approved -- would be given up by the industrialized countries more readily than was being alleged and these countries understood quite well that the industrialization of the new countries would open up new markets for them.

The Commission should limit itself to examining the technical aspects of the problem and bring out general principles that must

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serve as a basis for economic development throughout the world and it should indicate the measures to be taken and the method to be followed first of all.

Mr. DEUTSCH (Canada) also stressed the need for leaving out all political considerations when technical problems had to be solved. The report of the Sub-Commission had failed to do so, and it was for ~~this~~ reason that it was unsatisfactory. Political considerations seemed to have made it impossible for the Sub-Commission to advocate the measures necessary for initiating a programme of economic development and to indicate how the work already accomplished could be both amplified and co-ordinated.

The Sub-Commission had pointed out that loans could have evil results as they were often granted for political purposes or else led to the exploitation of the population of the debtor country. It had stated that the capital available fell very short of the requirements of under-developed countries, but having pointed this out it omitted to put forward any suggestion on the best means for financing the economic development of these countries, nor had it indicated what measures should be taken.

The Sub-Commission could have examined means for the safeguard of the legitimate interests of those investing their capital in under-developed countries.

As regards direct investments, the report contained a warning against the danger of political interference by countries investing their funds abroad, but having uttered that warning, it made no suggestion as to how such a danger could be avoided. Canada, whose development had taken place during the last thirty years, had experienced this danger and had succeeded in checking the evil influence which could have been exercised by such investments.

/Mr. Deutsch

Mr. Deutsch drew attention to the comments of the International Bank for Reconstruction and Development, which, he thought, represented a constructive attempt to view the problem as a whole. It was all the more necessary to have such priorities as on account of the present situation, it would be unfortunate to have too high hopes of speedy development. Without subscribing to the analysis the Bank had made or to the conclusions it had drawn, he felt that the manner in which it had approached the problem was much more constructive than that of the Sub-Commission.

Moreover, the report seemed to identify industrialization with economic development. The problem was infinitely greater, it consisted in exploiting all the resources of a given territory so as to best raise the standard of life of its population. Industrialization was not even the main object of economic development -- when the resources of a country were exploited in a rational manner, industrialization took place quite naturally, without there being any need for artificial stimulants.

The problem of economic development was essentially one of raising the standard of life in the less developed countries of the world, and no one wished to hinder such a task. The industrialized countries realized full well that, far from harming them, such an improvement of the standard of living in less-developed countries coincided with their own interests. But industrialization was not sufficient to raise the standard of life of peoples in the best possible way.

The report should have examined how various countries could help one another and how to increase the total resources available; it should have put forward suggestions for the rational development of under-developed countries and for raising the standard of life, stimulating
/the technical

the technical training and raising the general standard of education among their populations because any investment of capital in countries that did not know how to use it would be wasted. Having analyzed all measures which could contribute to economic development, it should then have discussed a plan of action.

As the report had, so to say, missed its mark and did not even contain any constructive proposals, the representative of Canada would be unable to support the suggestion that it should be forwarded to the Economic and Social Council in its present form.

Mr. HO (China) noted that most of the report was devoted to statements of principle and generalizations at the expense of practical recommendations.

To begin with, it would be a heresy to speak of the economic development of a country unless sufficient attention were paid to balancing its economy, both from an agricultural point of view and from that of communications, transport and industry.

The report did not pay sufficient attention to the development of agriculture and only considered it as being the production of foodstuffs. The problem of organization was just as important as that of the development of production. The report seemed to identify economic development with industrialization in the narrow sense of the word. The adoption of the ideas contained in the report could result in a serious disequilibrium in international economic relations, in employment and in other calamities.

Secondly, education was the foundation of the economic development of every country, and it was not only a question of vocational training but of raising the general standard of education in the broadest sense of the word.

/The raising

The raising of the standard of living had both an economic and cultural aspect. He feared that the Commission would defeat its purpose if it failed to interpret economic development in the broadest sense of the term.

He hoped that the Commission would soon close the discussion of principle and would embark without delay on the consideration of the practical measures that must be taken to solve the very complex problems, such as training, provision of capital goods, industrial development, agriculture, etc.

Mr. BYSTRICKY (Czechoslovakia) was pleased with the progressive spirit of the report. If the action recommended in the report were taken, economic development in various countries of the world would undoubtedly be rapidly achieved. He agreed that the crux of the problem was the raising of standards of living. He also agreed with the position taken by the Sub-Commission which stressed the importance of eliminating any political element from the measures undertaken for the economic development of a country. The report was right in saying that trade unions should be allowed to play their part. Finally he thought that all the members of the Sub-Commission would agree that it was better, as stated in the report, to start with the industrialization of an under-developed country, even if such industrialization were not entirely justified for strictly economic reasons, rather than to delay its realization. He also approved the principle of diversification of economy. Mr. Bystricky then explained the measures which his country had taken to improve its economy; he underlined the fact that its economic plans were made with the view of improving the general standard of life. He quoted the trade agreements concluded between
/his country

his country and other less industrialized countries, to whose development it was contributing. He condemned the too-popular idea that industrial countries were only complementary to countries whose economy was based on agriculture, and he pointed out that the most profitable exchanges were those conducted between economically developed countries. He drew the Commission's attention to Part VII of the report, which contained a number of recommendations regarding the need for international co-operation as to international assistance for the economic development of the under-developed and not self-supporting countries, as well as to help various countries to bring about stable economic conditions, and to raise the standard of living of their peoples. He stressed the social aims which the Commission should pursue; all the resources of a country should be developed according to a plan which took note of both economic and social considerations. Were such a plan to be realized, he did not doubt that international relations would develop in a direction which would be in accordance with the principles laid down in the Charter.

Mr. NEERU (India) thought as a whole the report excellent. Although the Sub-Commission had rightly emphasized the wide scope of its task, it had not equally clearly recognized its urgency. Its duty was, through the Economic and Social Council and the Assembly to advise and assist the States Members of the United Nations in applying Article 55 of the Charter. The governments could not indefinitely postpone the settlement of economic relief programmes simply to enable the Sub-Commission to finish its preliminary studies. In point of fact in many
/countries

countries, and particularly in India, plans had been prepared and work on them had started. The report moreover, was merely preliminary as it dealt mainly with questions of principle. That was, no doubt, useful but concrete recommendations should be made with all possible speed in order that the objects in view might be attained.

On Part V of the report he thought that if the Sub-Commission was right in emphasizing the fact that "some countries were well-developed, some under-developed and others showed very little economic development", it should at least have tried to analyze the effect of those differences in development. Would it not be desirable from an international point of view, to reduce such differences to a minimum? The political, cultural and social aims of the United Nations could only be attained after having realized comparable standards of living in all countries.

He stressed the correctness of the Sub-Commission's analysis of the beneficial effect of political independence for the economic development of a country (Part V, paragraph 3). The elimination of all foreign political and economic interference was a real factor in economic progress. Any dependence, moreover, tended to emphasize the weak points in a social structure and social reform was more rapid in a free country.

As regards paragraph 4, the Sub-Commission could have defined more clearly what it meant by industrialization; he did not think, however, that it only meant the construction of plants for heavy industry. The report insisted mainly on the use of modern methods and machinery for the best utilization of natural resources. That was the meaning which the less-developed countries had attached to this concept. The Government of India regarded the development of agricultural

/industries

industries as equally important; in its programme, both kinds of development would proceed side by side, and only considerations of prices, markets, supplies and the like would lead it to accept the Sub-Commission's point of view. Yet in under-developed countries, a balanced economy could not be attained without the promotion of industrialisation.

The first sentence of paragraph 6 (b) was obscure, as the term "key industries" had not been defined. Did the Sub-Commission think that all countries, however small, should each have every kind of key industry on their territory? It would be wiser to recommend the building up of such industries on a regional, rather than a national scale, the essential consideration being to avoid the dependence of too many countries on one or two highly developed regions. It was quite clear that complete independence, which in some cases would amount to an economic absurdity, could not be attained in that field.

Although in general agreement with the conclusions in Part VI of the Sub-Commission's Report while he did not think paragraph 9 was at all tendentious the Sub-Commission thought that an international authority should control the financial transactions described in that paragraph to the same extent as the Sub-Commission had in mind for technical assistance.

Moreover, paragraph 17 did not state clearly the way in which the governments of exporting countries would assume their responsibility to guarantee that capital goods "were available for export and that they were available at reasonable and fair prices." Would it be a question of domestic measures or would international control be interposed?

In regard to Part VII of the report, he thanked the Sub-Commission for having noted that assistance was something given for other reasons than economic ones, and for having recognised that the under-developed countries were also faced with acute and urgent problems. There was a tendency to forget that fact, and to assume that those countries were faced only with

/long-term

long-term problems and, therefore, to deny them a fair share of the available emergency aid. It was the duty of an international organization to oppose that tendency, and he agreed with the Sub-Commission's suggestion that recommendations be made in the form of a draft resolution to the Economic and Social Council, insisting on the need for co-operation on a regional scale, and for an exhaustive study of the immediate needs of the under-developed countries.

Speaking of draft resolution (A), he asked Mr. Morozov, who was a member of the Sub-Commission, the exact meaning of the expression "international provisions", which appeared in paragraph 5 (a) of the draft resolution, and also to explain to whom the resolution would be addressed.

Mr. LUTOSLOWSKI (Poland) said that he would not embark on a complete analysis of the report, but would restrict himself to pointing out several important points which it did not contain.

To begin with, the report seemed to dwell on industrialization and only mentioned the problem of education in so far as it affected the solution of the first question, i.e. the building up of a skilled labour force. Education in general was an essential factor in the development of all countries.

Under-developed countries could, moreover, be defined as countries in which the standard of living was abnormally low. The problem could, therefore, be studied in terms of consumption. Certain priorities were established by nature itself: food was the first, although customs and needs varied in different countries; next came industrial and manufactured products. Economic development need not mean competition with already industrialized countries, if individual consumption progressed at an equal rate. It was not an automatic process; as production increased efforts should be made to create fresh needs and to encourage the local population to consume more.

/In another

In another connexion the report mentioned workers' incentives. The fact was that some people would rather forego additional pay than do extra work. A study of the effectiveness of incentives might show that it was one of the essential factors in economic development.

Then there was the question of a well-balanced family economy. Some persons saved; others with the same income were always in debt. Thus there was a whole educational programme to be undertaken there.

In Mr. Lutoslawski's opinion, such questions were very important.

In reply to Mr. MEHRU, Mr. MOROZOV (Union of Soviet Socialist Republics) pointed out that the "measures" under discussion were of a practical nature (provision of products, outfitting etc) and did not imply the creation of international organizations or regulations.

Speaking on the substance of the report, he recalled it was the first attempt to bring the general problem of economic development before the United Nations. It was, thus, obviously desirable to consider the general principles underlying all future activity in that field and, with that end in view, to study ways of contributing to the solution of economic problems.

Mr. Morozov thus believed that the Sub-Commission had carried out its task well.

The fact was that the economic development of Non-Self-Governing Territories had been delayed for lack of complete political independence. Examples would be easy to find; he recalled in particular the Indonesian representative's statements at the Havana Conference regarding the export surpluses of his country in which the population of his country had only benefited from a very small measure (38 million dollars only out of a total of 300 million dollars during 1938).

/The report

The report laid down another very important principle. That was that economic development had been delayed in some countries by foreign intervention in the political and economic fields. The Secretariat's document on economic conditions in some countries showed that in Central America, for example, American citizens controlled the Central Bank of Haiti and thus played an important part in that country's fiscal and budgetary policy. The result was -- and in that connection Mr. Morozov cited Article 76 of the Charter -- that under-developed countries could only progress economically when they had complete political and economic independence.

Referring to criticisms on the part of the report dealing with industrialization, Mr. Morozov noted that it had led to a thorough debate in the Sub-Commission. The problem was whether under-developed countries were to become satellites of industrialized countries, or were to lay solid foundations for their economic independence. The Sub-Commission had decided that industrialization was an essential part of that independence. In doing that, it had not wanted to underestimate the importance of other fields of economic activity, but only to emphasize the decisive part which industry played in development as a whole.

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Moreover, there should be/unilateral economic development through a single kind of activity. Some Latin-American countries had illustrated the dangerous consequences of lack of diversification. They had become dependent on the countries importing the products of the branch developed unilaterally. It was still true, however, that any well-ordered economic development had to be based on the use of local natural resources.

Lastly, he recalled that in the course of its long debate on international loans and credits, the Sub-Commission had pointed out that such loans and credits should neither be used as political loans, nor contain political clauses. That remark seemed to be most appropriate in present circumstances. In that regard credits and loans were less inconvenient than

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direct investment, which inevitably resulted in political interference. Technical aid likewise should not be used for political ends. Such aid would be more effective if given through the intermediary of the United Nations.

There were some weak points in the report. It was regrettable that it did not contain a detailed study of the economic situation in Non-Self-Governing Territories or in under-developed countries. In general, the principles laid down in the report were not sufficiently documented.

Moreover, the report exaggerated the importance of international action in economic development, it gave the impression that some countries could not even begin to achieve their plans of development without foreign aid. That, was both a false and a dangerous statement.

Finally, the Sub-Commission had recommended the creation of special planning bodies in countries where as yet there were none. That was a domestic question. In addition, there would be a risk of such bodies taking the place of the Governments in the economic field.

To sum up, Mr. Morozov was of the opinion that the report included a number of important principles, deriving directly from the Charter, which the Commission should approve. It also had defects which should be corrected before the definitive text was transmitted to the Economic and Social Council.

The meeting rose at 1.15 p.m.