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Fourth Session

SUMMARY RECORD OF THE SEVENTY-FIRST MEETING

Held at Lake Success, New York,
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Economic development of under-developed countries (including consideration of the reports of the second and third sessions of the Sub-Commission on Economic Development) (E/CN.1/65)
(continued)

PRESENT

<u>Chairman:</u>	Mr. WILSON	Australia
<u>Members:</u>	Mr. de SELLERS*	Belgium
	Mr. NUNES GUIMARAES	Brazil
	Mr. SMOLIAR*	Byelorussian Soviet Socialist Republic
	Mr. DEUTSCH	Canada
	Mr. HO	China
	Mr. SILVERIO	Cuba
	Mr. BYSTRICKY	Czechoslovakia
	Mr. RUEFF	France

*Alternates

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<u>Members:</u>	Mr. SAKSENA	India
	Mr. FOE	Norway
	Mr. A. RUDZINSKI*	Poland
	Mr. MOROZOV	Union of Soviet Socialist Republics
	Mr. HALL	United Kingdom
	Mr. LUBIN	United States of America

Representatives of specialized agencies:

Mr. EZEKIEL	United Nations Food and Agricultural Organization (FAO)
Mr. LOPEZ-HERRARTE	International Bank for Reconstruction and Development
Mr. VAN der VAIK)	International Monetary Fund (IMF)
Mr. WILLIAMS)	

Advisers from non-governmental organizations:

<u>Category A</u>	Mrs. FUHRMAN	International Co-operative Alliance (ICA)
	Miss SENDER	International Chamber of Commerce (ICC)

<u>Secretariat:</u> Mr. CAUSTIN	Secretary of the Commission
Mr. VARLEY	Assistant Secretary of the Commission

ECONOMIC DEVELOPMENT OF UNDER-DEVELOPED COUNTRIES (INCLUDING CONSIDERATION OF THE REPORTS OF THE SECOND AND THIRD SESSIONS OF THE SUB-COMMISSION ON ECONOMIC DEVELOPMENT) (E/CN.1/65) (continued)

The CHAIRMAN called upon the representative of the Byelorussian SSR, who wished to make a statement on the report of the third session of the Sub-Commission on Economic Development.

Mr. SMOLIAR (Byelorussian Soviet Socialist Republic) recalled that the representatives of the United States, the United Kingdom and France had strongly criticised the Sub-Commission's report, on the ground that it merely laid down the theoretical principles governing the economic development of under-developed countries but formulated no concrete recommendations on that subject. Although some of its recommendations certainly seemed inadequate, the Sub-Commission's report was none the less definitely valuable.

General principles had to be laid down and the course to be followed had to be defined before concrete recommendations could be made for the

economic development of under-developed countries. That was all the more important because many economically under-developed countries and territories were economically and politically dependent on more highly industrialized countries.

Economic development was least advanced and standards of living were lowest in countries which had been or were still subject to colonial exploitation. Capitalist monopolies regarded those countries as an outlet for their goods and as a source of raw materials and cheap labour. He cited India, Indo-China, Indonesia and the Belgian Congo as examples to support his argument. He pointed out also that the reports submitted to the Trusteeship Council in 1948 on non-self-governing and trust territories clearly showed that their inhabitants had no political freedom and laboured under economic difficulties.

In reply to the United Kingdom representative, who had accused him of doing nothing but talk propaganda, he quoted some additional facts on Tanganyika, the largest and richest of the trust territories. There was practically no processing industry in that territory, and nearly all the extraction industries were in the hands of Europeans. The report of the Trusteeship Council's Mission to Tanganyika showed that the natives were gradually losing their land without any compensation.

In Ruanda-Urundi, under Belgian administration, the situation was more or less the same. According to the report of the Trusteeship Council's Mission nearly all the industry was in European hands, whereas natives were only employed for manual labour at very low wages.

The same situation prevailed in the Cameroons under French administration.

In addition, the colonial Powers used violence to check the efforts of oppressed peoples to obtain national independence. In that connexion he need only recall what had occurred in Indonesia, Indo-China, Malaya and many other colonies.

Since the end of the war, also United States monopolies in their anxiety to increase their profits, had redoubled their efforts to penetrate into territories economically under-developed, and that had made the position of the local population worse. Thus they were buying nearly all the mineral products of the Belgian Congo, including non-ferrous metals and uranium. At the same time, they had made the Belgian Congo market

for their exports. In this connexion he quoted statistics showing that exports from the Congo to the United States, which in 1939 had constituted 3.5 per cent of the total exports of the Congo had reached 17 per cent in 1947. During the same period imports from the United States had risen from 7 per cent to 38 per cent of the total imports.

He then quoted press reports which showed that American enterprises had obtained large concessions in British Guiana, that the Marshall Plan had been extended to the parts of Indonesia occupied by the Netherlands, that American companies had been entrusted with the "reconstruction" of that country, and that most of the foreign capital invested in Indonesia was American.

The United States was manifesting the same expansionist tendencies in Latin America. At the Bogota Conference the United States representatives had forced upon the representatives of other States the notorious Clayton doctrine, which enabled the United States to flood the countries of Latin America with its goods and eliminated all the barriers placed upon the influx of foreign capital.

By 10 votes to 9 the United States had succeeded in making that Conference adopt a resolution whereby, the owners, if foreign enterprises were expropriated, should be immediately and adequately compensated.

Finally, United States monopolies had penetrated into the Near and Middle East where also they were behaving as if they were the bosses.

All that proved that, in considering the problem of the economic development of under-developed countries and the technical assistance to be given them, the prevailing political and economical enslavement of those countries had to be taken into account. Ways and means had therefore to be found for ensuring their independent political development.

The plan for technical assistance to under-developed countries which the United States representative had submitted to the eighth session of the Economic and Social Council really served merely to perpetuate the backwardness of those countries and to strengthen the economic stranglehold of American monopolies.

That was inter alia, shown by the fact that the United States representative denied the importance of industrializing those countries. It was, however, clear that the establishment of national industries would enable the countries concerned to utilize their natural resources rationally, to ensure full employment for their inhabitants and to raise their standards of living. The Commission was therefore quite right to emphasize in paragraph 4 of its report the importance of industrializing under-developed countries.

The United States representative had also stated that all economic barriers to the free circulation of capital should be raised. The Byelorussian delegation thought, however, that the economic development of under-developed countries should be financed primarily from local resources. Financial and technical assistance from abroad should be offered on ordinary commercial terms and subject to absolute equality as between the parties. Such assistance should not go hand in hand with the economic and political enslavement of the beneficiary countries. That point had been admitted by the Sub-Commission in paragraph 6 of its report, which stated that the rôle of foreign finance could be only of a subordinate character and that the introduction of foreign capital should not be inconsistent with the basic objectives of economic development.

The United Nations was bound to promote the development of national industries in under-developed countries and to help in the economic and technical development of those countries. That was the main principle on which the technical assistance offered to under-developed countries should be based.

Before ending his statement he wished to formulate a few detailed criticisms of the Sub-Commission's report.

The Sub-Commission considered, in paragraph 24, that the dependence of a number of under-developed countries on one or two primary products for their export trade hampered the economic development of those countries, and suggested that a study be made of the possibilities of inter-governmental commodity arrangements. He thought it preferable for the countries concerned to give up monoculture and develop their economy on a wider basis.

In paragraph 19 of the report the Sub-Commission expressed the view that internal inequalities of distribution in income and wealth were detrimental to economic development. Nevertheless, the conclusions reached in paragraph 20 seemed to him to be vague and not sufficiently precise.

Finally, he thought that the Sub-Commission's conclusions at the end of paragraph 39 were wrong. The experience of the USSR and the People's Democracies had shown that industrialization was a powerful factor in cultural progress and therefore should not be postponed until the necessary health services, technical training institutions and general educational establishments had been set up.

With regard to the establishment of a "United Nations Economic Development Administration", Mr. Smoliar said his Government could not support that proposal, which appeared in Annex I of the report, since the functions of that new body were too vaguely defined. Moreover, the

United Nations already had a sufficient number of organs dealing with the economic development of under-developed countries, such as the Economic and Social Council, the Economic and Employment Commission, and all the regional commissions.

Mr. de SELLERS (Belgium) wished to reply briefly to the reference made by the Byelorussian representative to the Belgian Congo. Mr. Smoliar's charges against the Belgian Government were unfounded. Not only has she not exploited the population of the Congo, Belgium had brought order and prosperity into that territory. The reason why that apparently irked the Byelorussian representative was probably because order and prosperity were not favourable to the dissemination of his ideas; but the colonial peoples were actually the first to benefit by such a régime.

His views on the Sub-Commission's report were similar to those of Mr. Hall, Mr. Lubin and Mr. Ho, who had criticized the text on the grounds that it contained too many generalizations and repeated what had already been said over and over again.

Possibly, though, it could hardly be otherwise. It was difficult even for one person to make a complete list of the measures necessary to ensure the economic development of under-developed countries. It was much more difficult for a group of seven or eight persons with different philosophies and doctrinal positions.

He thought that the working groups or groups of experts suggested by Mr. Lubin might meet with the same difficulties.

The concrete problem was, firstly, to decide which of the development plans were feasible and would give productive results. Secondly, the methods of financing those plans should be considered.

The preliminary study should be carried out country by country. Teams of specialists (from FAO or from the International Bank, for instance) should be sent to each of the countries concerned, to decide on the spot which plans could be carried out with concrete results. Those specialists might then consult experts from other organizations, in order that the problems they had to solve could be considered from all points of view. Those problems differed from one country to another, and methods of assistance could therefore not be standardized for all countries.

That type of assistance had been proposed by Mr. Rueff two years before. The Commission had waited for its Sub-Commissions to submit concrete proposals, and President Truman had achieved what the Commission itself should have done by including technical assistance in item 4 of his inaugural speech.

A number of bodies were now doing work which should have been done by the Commission. The Economic and Employment Commission should therefore decide now whether it wished to withdraw from that field or whether it wished to help in implementing item 4 and the Economic and Social Council's resolution on technical assistance. He thought that that problem should be the basis for the Commission's debates and report.

He then dealt with financing, and said he was unable to understand the Sub-Commission's views on countries making foreign loans. It dwelt at length on the conditions under which those loans should be issued, whereas the main problem was that of the guarantees which the borrowing countries should give to encourage foreign investments. Since 1914 everything had been done to discourage private investments in under-developed countries; he instanced in this connexion the discriminatory measures against foreign capitalists and the confiscation of investment capital. Such cases had occurred especially in Spain, Poland, Bulgaria, Rumania, Hungary and Siam.

To sum up, his views were as follows:

He agreed with Mr. Deutsch and Mr. Lubin that it would be enough to note the report without taking any other action about it.

With regard to the Commission's work he doubted whether the special studies asked for by the representatives of the United States and Norway could be made, but would not object to their adoption if the Commission thought them useful. He thought the only useful way of dealing with the problem of economic development was on the basis of item 4 of President Truman's speech, and he suggested that the Secretariat should report to the Commission on the measures already taken in that field by various United Nations bodies.

Finally, he thought that the International Bank should mainly deal with the question of financing from abroad. The Commission might draft a kind of investment code to serve as a basis for such agreements and provide the necessary guarantees for foreign investments. Finally, the Commission might ask the Secretariat to submit a report on the measures taken in various countries to discourage foreign capital investment and especially on cases of confiscation, discrimination and so forth.

Mr. RUDZINSKI (Poland) said the occasionally severe criticisms passed on the report of the Sub-Commission on Economic Development fell into two categories: in the first place the report was said to be too vague, was drafted in too general terms and contained no precise and detailed recommendations; in the second place certain members of the

Commission had criticized the substance of the report and apparently disagreed with the fundamental policy which was its very essence.

Admittedly it was difficult to make general recommendations applicable to all under-developed countries, since there were vast differences between those countries. That aim could only be achieved by making a series of separate studies, each dealing with a specific country or at most with a specific geographical region. The Belgian representative himself had voiced a similar opinion.

That, however, did not mean that it was unnecessary to agree on the fundamental policy to be pursued with regard to under-developed countries. It was precisely the task of the Sub-Commission on Economic Development to frame a general policy without getting lost in details.

He was aware that under-developed countries differed from the standpoint of international law: they included independent States, non-self-governing territories, trust territories and colonies. That legal distinction was, however, irrelevant in the economic field, since all the countries had one characteristic in common: their economy was, in a certain sense, what was commonly called a colonial economy. Since the Commission was not a legal body, it should be concerned equally with all under-developed countries, whatever their status in international law might be.

The problem of the economic development of under-developed countries was at present being widely discussed and given much publicity owing to its close connexion with item 4 of President Truman's inaugural speech. The problem was all the more important to members of the Commission because the new programme proposed by President Truman was to be carried out under the auspices of the United Nations.

The fundamental question to be settled was whether that type of colonial economy, with all its undesirable characteristics should be perpetuated or continued, or would an effort be made to achieve real development which would lead to economic independence. The Commission had clearly expressed its views on that matter in paragraphs 6 (page 8) and 26 (page 15) of its report. He read the first of those texts and observed that he had heard no direct criticisms of that fundamental policy. Certain members of the Commission had stated, however, that they were not satisfied with the report as a whole. He therefore wondered if their criticisms were not in fact directed against those fundamental principles. Hence it was important to define clearly the course which was to be taken.

Certain members of the Commission had said that fear was the main obstacle to the movement of capital towards under-developed countries. Such statements inevitably recalled the lofty programme proclaimed in the Atlantic Charter, but one might well wonder whether the authors of that Charter had intended to free capital also from fear.

Fear was not the monopoly of capitalists but was sometimes shared by borrowers. In some countries the people were afraid that, if foreign capital were brought in, it might not always benefit them: "Timeo Danaos et dona ferentes", though this was not even a case of gifts.

The Belgian representative had mentioned the discrimination practised against foreign capital in cases of nationalization. The speaker quoted the case of Poland, where nationalization had given foreign capital privileges over national capital. When the Polish Parliament decided to nationalize a number of enterprises regardless of the nationality of their owners, the Minister of Industry had concluded agreements, in 1946 and 1948 respectively, with the Governments of the United States and the United Kingdom compensating nationals of theirs who had been dispossessed. On the other hand, owners of similar enterprises who were Polish nationals had received no compensation.

Certain representatives had stressed the right of countries exporting their capital to under-developed countries to be given guarantees protecting their investments. He would point out that such rights could not be dissociated from obligations and that these should be emphasized.

Finally, he reiterated that the first essential was to agree on the aims to be achieved -- on the general direction to be given to the economic development of under-developed countries. Unless this were done, it would be impossible to agree on concrete measures or separate schemes. Capital was merely a tool for satisfying human needs. Its function was to serve man, not to enslave him.

The meeting rose at 5.15 p.m.
