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ECONOMIC AND EMPLOYMENT COMMISSION

SUMMARY RECORD OF THE SIXTY-FOURTH MEETING

Held at Lake Success, New York
Wednesday, 5 May 1948, at 3 p.m.

<u>Chairman:</u>	Mr. R. WILSON	Australia
<u>Members:</u>	* Mr. J. WOULBROUN	Belgium
	* Mr. J. G. TORRES	Brazil
	* Mr. V. A. BAKOUNOV	Byelorussian Soviet Socialist Republic
	* Mr. S. POLLOCK	Canada
	* Mr. N. SILVERIO	Cuba
	Mr. R. BYSTRICKY	Czechoslovakia
	* Mr. T. de CLERMONT-TONNERRE	France
	* Mr. D. P. KARMARKAR	India
	* Mr. G. LUTOSLAWSKI	Poland
	Mr. A. P. MOROZOV	Union of Soviet Socialist Republics
	* Mr. H. M. PHILLIPS	United Kingdom
<u>Rapporteur:</u>	Mr. I. LUBIN	United States of America
<u>Representatives of Specialized Agencies:</u>		
	Mr. A. A. EVANS	International Labour Organization
<u>Consultants from Non-Governmental Organizations:</u>		
	Miss E. SANSOM	International Chamber of Commerce
	Mr. P. GARVAN	American Federation of Labor
<u>Secretariat:</u>		
	Mr. D. WEINTRAUB	Secretary of the Commission
* Alternates		

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CONTINUATION OF THE DISCUSSION ON THE REPORT OF THE DRAFTING SUB-COMMITTEE
ON ITEMS 8 AND 9 OF THE AGENDA (Document E/CN.1/W.38)

Paragraph 5

Mr. POLLOCK (Canada) wished to delete the word "cause" before the phrase "the depletion of their foreign exchange resources" in the sixth line, because he felt that inflationary conditions were merely a contributory reason for the depletion.

Mr. MOROZOV (Union of Soviet Socialist Republics) thought that the word should be retained in order not to weaken the meaning of the sentence, for it was an indisputable fact that inflationary conditions did result in the depletion of foreign exchange resources.

After the CHAIRMAN had explained that the word "cause" had not appeared in the original text discussed by the drafting sub-committee, the Commission decided, by a vote of seven to five, with one abstention, to delete it.

At the suggestion of Mr. WOULBROUN (Belgium), it was further decided to delete the word "net" before the words "importing countries" and "exporting countries".

Paragraph 5 was adopted as amended by a vote of eleven to none, with two abstentions.

Paragraph 6

Mr. WOULBROUN (Belgium) pointed out that the wording of the seventh and eighth lines led to confusion and proposed a drafting change.

At the suggestion of the CHAIRMAN, the following redrafting was accepted:

"...undertake effective measures to halt domestic inflationary processes, as, for example, by the rationing of essential goods coupled with price control and progressive income taxation."

/Paragraph 6

Paragraph 6 was adopted as amended by a vote of ten to none, with three abstentions.

Mr. MOROZOV (Union of Soviet Socialist Republics) explained that he had abstained from voting because he will state his position when the Commission came to examine the report as a whole.

Paragraph 7

Mr. de CLERMONT-TONNERRE (France) desired clarification of the phrase "under conditions" in the fifth line.

The CHAIRMAN pointed out that the phrase represented a compromise reached in the sub-committee. In reply to a question from Mr. MOROZOV (Union of Soviet Socialist Republics), he explained that the sub-committee had decided that the country giving aid would determine the conditions under which such aid should be granted. He reviewed the alterations made in the original draft and proposed, with the support of Mr. LUBIN (United States of America), that the Commission revert to the draft.

The Commission approved the suggestion of Mr. TORRES (Brazil) to delete the entire clause beginning "...under conditions.." and redraft that part of the paragraph as follows:

"....to countries urgently in need of development in order to enable them to progress rapidly....."

Paragraph 7 was adopted as amended by a vote of eleven to none, with two abstentions.

Paragraph 8

Mr. LUBIN (United States of America), supported by Mr. POLLOCK (Canada), wished to redraft the first sentence, after the word "developed", as follows:

/"...in conformity

"..in conformity with the principle that such international trade should not be used for the purpose of exploitation or of obtaining political and other advantages exclusively for the countries involved."

His purpose was to avoid ambiguity and his amendment was therefore a restatement of the relevant clause of resolution 27 (IV) of the Economic and Social Council by which the Commission should be guided. He had consistently opposed the present drafting because he was convinced it had been inserted for political reasons.

The CHAIRMAN, speaking as the representative of Australia, and supported by Mr. KARMARKAR (India) agreed that the sentence as it stood in the draft report was vague, but favoured its retention.

Mr. MOROZOV (Union of Soviet Socialist Republics) opposed the amendment which omitted mentioning equality, mutual respect and sovereignty all far from being ambiguous.

Mr. BAKOUNOV (Byelorussian / ^{Soviet Socialist Republic}) stated that in his considered opinion the meaning of the sentence in the draft was perfectly clear. In reply to the objection raised by Mr. de CLERMONT-TONNERRE (France) that too much emphasis had been laid on national sovereignty in contradiction with the United Nations principle that nations should be willing to abandon part of their sovereignty in the common interest, Mr. Bakounov agreed that the conclusion of trade treaties necessarily involved mutual concessions but did not wish to raise the question of sovereignty which he considered political rather than economic. He stressed that the thought contained in the sentence could not be repeated too often for it should forever guide nations in their international relations.

/Mr. PHILLIPS

Mr. PHILLIPS (United Kingdom), while he did not object to the sentiments contained in the sentence, found their expression platitudinous. He preferred to replace the disputed clause by a forward-looking reference to international co-operation. He agreed with the representatives of the United States and Canada that the present formulation was neither helpful nor valuable, and would therefore abstain from voting for it.

The United States amendment to the first sentence of paragraph 8 was rejected by a vote of seven to four, with two abstentions.

In the course of a brief discussion concerning the alternate versions suggested for the second sentence, Mr. MOROZOV (Union of Soviet Socialist Republics) stressed the importance of lowering prices of export goods, while Mr. WOULBROUN (Belgium) pointed out that an indirect attack on a specific country which he considered incompatible with the principles of the United Nations was implicit in the second version.

Version No. 1 of the second sentence was adopted by a vote of nine to three, with two abstentions.

Paragraph 8 was adopted as amended by a vote of eight to none, with five abstentions.

Paragraph 9

The Commission considered two versions of the paragraph. The CHAIRMAN stated that version No. 1 was proposed by the representative of the USSR, and version No. 2 acceptable to the majority of the members of the drafting sub-committee.

Mr. POLLOCK (Canada) noted the inconsistency of version No. 2 which spoke of economic assistance to be given primarily in the interests of the people of the receiving countries with the first sentence of paragraph 8 which stated that international trade should be developed in the national interests of participating countries.

/Mr. MOROZOV

Mr. MOROZOV (Union of Soviet Socialist Republics), supported by Mr. LUTOSLAWSKI (Poland), defended the principle contained in version No. 1 that economic assistance should be used in the interests of the people of receiving countries and should not be accompanied by political conditions which would permit interference in the internal affairs of those countries. He pointed out that the insertion of the word "primarily" in version No. 2 left a loophole which would encourage loans in the interest of special narrow groups within the receiving country, an operation which could not be sponsored by the United Nations. Moreover, the mention of "economic welfare" in version No. 2 might serve as a pretext for lending countries to intervene in the internal affairs of countries benefitting from loans.

In reply to Mr. LUBIN (United States^{of America}) who asserted that the word "primarily" had been inserted in version No. 2 in order to protect the donors of interest-bearing loans as well as the countries receiving economic aid, Mr. LUTOSLAWSKI (Poland) explained that his objection did not bear upon the right of lending countries to a fair interest on loans and repayment of them. On the contrary, he fully appreciated the need to protect the donors of loans, but he felt that the United Nations should recommend economic aid for the benefit of the widest groups within the receiving country.

The Commission adopted version No. 1 of paragraph 9 by a vote of seven to five, with one abstention.

/Paragraph 3

Paragraph 3

The CHAIRMAN asked the Commission to turn back to paragraph 3 of the draft. He said that the amendment proposed by the USSR representative to paragraph 4, which had been deferred from the previous meeting, should be considered first. It could be considered in the first instance in relation to paragraph 4. If it should be lost there, then it could be taken up again on paragraph 3.

Mr. MOROZOV (Union of Soviet Socialist Republics) introduced his amendment, which read: "The Commission felt that the report of the sub-commission did not correctly characterize the causes of inflation, in particular that it did not reflect the fact that one of the main causes of contemporary inflation in a number of countries was the expenditures resulting from the armament race carried on by those countries and that this led to an increase in the tax burden of workers."

Mr. TORRES (Brazil) objected to the amendment being considered in connection with paragraph 4. Paragraph 4 had already been voted.

The CHAIRMAN observed that it was immaterial where the amendment was to go. It might perhaps be a new paragraph 3a.

Mr. LUBIN (United States of America) agreed with Mr. Morozov that armament expenditures were a factor in inflation. They were, however, only one part of a phenomenon which drew manpower away from productive activity. Another part was the maintenance of large armies, which not only took manpower away from productive activity, but also took large sums from the taxpayers. He therefore suggested that the USSR amendment should be sub-amended by substitution of "excessive military expenditures" for "armament race". There would be a consequential drafting change to eliminate the word "expenditures" appearing earlier in the sentence.

/Mr. WOULBROUN

Mr. WOULBROUN (Belgium) supported the United States sub-amendment. "Excessive military expenditures" covered all phases of the problem. He also could not understand why certain countries should be singled out in the USSR amendment. The Commission was considering military expenditures in general.

Mr. TORRES (Brazil) agreed with the representative of Belgium.

On a vote on the United States sub-amendment, the sub-amendment was approved by 8 votes in favour and 2 against, with 3 abstentions.

On a vote on the USSR amendment, as amended by the United States, the amendment was lost by 6 votes in favour and 6 against with 1 abstention.

The CHAIRMAN asked members next to consider paragraph 3.

Mr. LUTOSLAWSKI (Poland) pointed out that each of the three sentences in paragraph 3 touched upon a different problem. He suggested that discussion should be taken on each sentence separately.

The CHAIRMAN agreed.

Mr. MOROZOV (Union of Soviet Socialist Republics) proposed to insert before the first sentence of paragraph 3 a sentence reading, "Some members of the Commission, having examined the statement of the Sub-Commission that extreme inflation leads to a lowering of real wage earnings, considered that inflation leads to such consequences at all stages of its course that the real wages of the workers are lowered and speculators and monopolists are enriched."

After some discussion, the CHAIRMAN agreed to a suggestion of the United Kingdom representative that the sense of the meeting should be ascertained to see whether a majority agreed with the USSR proposal. If

/there were

there were no majority, he would then ask for a vote on the question whether the USSR proposal should be included in the report as a minority view. The same procedure could be adopted with other sentences in paragraph 3.

Four members of the Commission agreed with the USSR proposal.

On a vote to include the USSR proposal as a minority view, it was decided by 11 votes in favour with 2 abstentions that the proposal should be included.

Mr. MOROZOV (Union of Soviet Socialist Republics) proposed that in the original first sentence of paragraph 3 which began with the words "Some members", the following words be added: "and that the report of the sub-commission did not correctly characterize the causes of inflation, in particular that it did not reflect the fact that one of the main causes of contemporary inflation in a number of countries was the expenditures resulting from the armament race carried on by those countries and that this led to an increase in the tax burden of workers".

Four members of the Commission agreed with the USSR amendment.

Speaking on the question whether the USSR amendment should be included as a minority view, Mr. FOLLOCK (Canada) felt that the majority of the Commission should have some control over the report to be submitted to the Economic and Social Council. Dissenting members could express their dissent in footnotes. If the principle of recording minority views were to be generally accepted, each member of the Commission could write a separate paper, obtain the support of a few members for it, and thus have it included in the report.

The CHAIRMAN reminded members that paragraph 3 had been inserted to express minority views. In some cases the Commission had decided that

/such

such views should be included. When they were not included, the member or members in question could still add a special reservation to the report.

The proposal to include the USSR amendment as a minority view was defeated by eleven votes against with two abstentions.

Mr. MOROZOV (Union of Soviet Socialist Republics) referring to the fact that his original amendments in terms of a majority view lost by a tie vote, remarked that in preceding sessions, particular when proposals resulted in such close votes, they had been specially mentioned, and he referred to the Report of the Second Session. There should not be a special procedure for USSR proposals. He would ask to have recorded his view/ that a mority of members was attempting to deprive the minority of the right to include its opinion in the report.

The CHAIRMAN pointed out that the USSR representative could still make a reservation in the report.

Returning to the first sentence of the draft paragraph 3, the CHAIRMAN pointed out that it also offered alternatives. Speaking as the representative of Australia, he preferred the second alternative, "excessive military expenditures", and would move that it should be adopted.

Eight members approved the substance of the first sentence with the alternative moved by the Chairman.

The sentence was adopted, and, in view of the majority favouring its substance, it was amended by deletion of the words "some members of".

Ten members of the Commission approved the substance of the second sentence of paragraph 3.

The sentence was adopted and similarly amended by substitution of the words "The Commission" for the word "Some".

/Eleven

Eleven members approved the last sentence of paragraph 3, which was adopted after substitution of the words "The Commission further felt" for the words "Some members also felt".

Mr. PHILLIPS (United Kingdom) observed that the USSR addition, in the beginning of the paragraph which had been adopted, was now the only sentence in paragraph 3 expressing a minority view. It might therefore be more logical to put it at the end of the paragraph.

Mr. LUBIN (United States of America) moved that the sentence should be transferred to the end of the paragraph.

Mr. MOROZOV (Union of Soviet Socialist Republics) objected that his addition had been adopted as the first sentence of the paragraph.

The CHAIRMAN ruled that the question could not be re-opened. He asked the representatives of the USSR, the United Kingdom and the United States, however, jointly to consider the possibility of redrafting the paragraph before the last reading of the report.

Paragraphs 10 - 13

Paragraphs 10, 11, 12 and 13 were adopted without discussion.

Mr. EVANS (International Labour Organization) recalled that the Chinese delegation had earlier submitted a suggestion for an auxiliary stream of investment to under-developed countries (document E/CN.1/20). The suggestion had been taken up by the Iron and Steel Trades Committee of the ILO, and the Governing Body had consequently instructed the Director-General of the ILO to assure the United Nations of the ILO's willingness to collaborate in such a scheme. He would like to know what action was being taken in the matter.

/Mr. WEINTRAUB

Mr. WEINTRAUB (Secretariat) replied that the particular question raised by the ILO representative would be taken into account in the Secretariat's studies of the international flow of investment.

Item 12: Rapporteur's Draft Report of the Commission to the Economic and Social Council

In view of the fact that he would be unable to attend the next meeting, Mr. LUTOSLAWSKI (Poland) asked permission to propose some changes to Part VIII of the report. The changes were: - (1) page 9, paragraph 3, line 10. Substitution of "necessity" for "desirability". (2) page 11. Addition to the footnote stating that India agreed with the statement of the Sub-Commission of a note that Poland also agreed. (3) Correction of the statement on page 1 that he (Mr. Lutoslawski) was leaving for Poland.

The Polish representative's proposed changes were agreed, the CHAIRMAN adding that the representative of Norway had also asked that his concurrence in the Indian representative's view should be noted on page 11.

The meeting rose at 6.30 p.m.