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RAPPORTEUR'S DRAFT REPORT ON ITEM 5 OF THE AGENDA

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Economic Development

1. The Commission's discussion concerning problems of economic development took place on the basis of the reports of the second and third sessions of the Sub-Commission on Economic Development (E/CN.1/61 and E/CN.1/65). The report of the second session of the Sub-Commission embodied its views on purposes, basic principles, and some of the forms of technical assistance for promoting economic development. The report of the third session of the Sub-Commission was devoted primarily to the question of the mobilization of financial resources for economic development. The Commission also had before it two resolutions of the Economic and Social Council which referred to the work of the Commission and noted that while resolution 139 (VII) B suggested that the Commission define the central problems of economic development and make detailed recommendations for dealing with these problems in its subsequent resolution (resolution 179 (VIII)) the Council agreed that the Commission and the Sub-Commission on Economic Development adhere to their present programmes of work "which are designed to place before the Council recommendations concerning specific problems of economic development".

2. The summaries of the Commission's discussion of the agenda item are contained in documents E/CN.1/SR.67 through - .

Technical assistance

3. In regard to the provision of technical assistance to under-developed countries, the Commission noted that the General Assembly at its third regular session had adopted a resolution (No. 200 (III)) which authorized the Secretary-General to undertake the provision of technical assistance and to report upon these activities directly to the Economic and Social Council.

4. The Commission was also aware of the request made by the Economic and Social Council (resolution 180 (VIII)) that the Secretary-General, in

/consultation

consultation with the executive heads of the specialized agencies and taking into consideration the suggestions of Member Governments, should prepare a report for the ninth session of the Council setting forth:

- (i) "A comprehensive plan for an expanded co-operative programme of technical assistance for economic development through the United Nations and its specialized agencies, paying due attention to questions of a social nature which directly condition economic development;"
- (ii) "Methods of financing such a programme including special budgets;"
- (iii) "Ways of co-ordinating the planning and execution of the programme."

5. The Commission noted the considerable volume and wide range of the technical assistance now being given by the United Nations and the specialized agencies as set forth in document E/CN.1/Sub.3/24. As the Commission did not have sufficient information on the progress achieved under the present programme of technical assistance and its operation, or upon the "expanded co-operative programme of technical assistance" requested under resolution 180 (VIII), on both of which the Secretary-General is required to report directly to the Economic and Social Council, it was not possible for it either to formulate broad recommendations to the Council on this subject or to judge the relevance of several specific suggestions made by members.

6. Certain members believed that the Commission should have been given a more active part in the development of this work and that it had a responsibility to advise and comment upon the work of the Secretariat in providing technical assistance, and that the Council would wish to consider the future role of the Commission in this matter. One member urged that the Commission should assume an active role in technical assistance and have executive responsibilities, including the giving of advice directly to Member Governments needing technical assistance. In this connexion several members of the Commission expressed concern lest the somewhat independent technical assistance activities of the United Nations and specialized agencies should give rise to confusion and perhaps wasted effort in the under-developed countries receiving expert advice and technical assistance from different sources. While provision for co-ordination between the United Nations and the specialized agencies was made in General Assembly resolution 200 (III), and the expanded programme of technical assistance under Council resolution 180 (VIII) was being jointly prepared by the

/Secretary-General

Secretary-General and the executive heads of the specialized agencies, it was clear that the maximum co-ordination of the practical work done in the field was indispensable and that would involve some positive form of co-ordination.

7. The Commission was also informed briefly of the organization and general terms of reference of the Mission organized by the Secretary-General, with the assistance of several specialized agencies under resolution 51 (IV) and in response to the request of the Government of Haiti. As the report of this mission was not available for study by the Commission it could make no comment upon the work accomplished. Some members felt that in this case and generally in respect of all such Secretariat missions, the Commission should have an opportunity of reviewing mission reports, visiting the countries concerned for such purpose, and commenting upon the recommendations made.

8. Others wished to make specific suggestions concerning types of technical assistance which they believed might be added to existing arrangements or measures which would strengthen those arrangements. Among these were:

- (a) That Member Governments of the United Nations should be asked to finance fellowships in fields where their countries had special experience or facilities for the study and observation of activities related to economic development work;
- (b) That Member Governments should adopt the policy of regarding assignments on technical assistance service accepted by experts in their service as carrying full seniority advantages so as to encourage the acceptance by such experts of these assignments; and
- (c) That a Conference on the Standardization of Technical Education be convened in order that under-developed Governments might have an opportunity of learning and adopting the practice best suited to their needs in this respect.
- (d) That it would be desirable to provide under the technical assistance scheme training for intended migrants prior to their migration.
- (e) That because of the imminent exhaustion of UNRRA transfer funds, action should be taken to avoid the suspension of the technical assistance programme provided by FAO.

/9. The absence

9. The absence of an adequate supply of even the lower grades of mechanical skills and knowledge was noted by several members as an urgent requirement of many of the under-developed countries.

Financing of economic development

10. Taking note of the report of the third session of the Sub-Commission on financing economic development in under-developed areas, the Commission members held two points of view with respect to this report. Many were of the opinion that the report was unsatisfactory since it dealt only with general principles concerning the subject of financing economic development, some of which would discourage economic development, and furthermore contained no specific proposals for possible courses of action which could be recommended by the Commission to the Council. Other members of the Commission, while acknowledging that the report contained no specific proposals, believed that many of the basic statements of policy and of principles in the field of financing economic development were sound and should be brought to the attention of the Council and Member Governments.

11. There was general agreement, however, that although the report correctly stated some of the pertinent general principles, these were, in the main, renewed enunciations of already generally accepted principles. It was further the view of the Commission that the Sub-Commission had rightly emphasized the primary dependence of economic development on domestic resources.

12. Certain members of the Commission (Union of Soviet Socialist Republics, Byelorussian S.S.R., Poland and Czechoslovakia) held that such principles must necessarily be taken as a basis by an under-developed country for any action in the field of financing for economic development; they held further that each country should evolve its own measures, and that the Sub-Commission or the Commission should not pass judgment or give advice, unless specifically requested to do so by the country concerned.

13. Most members of the Commission however, felt compelled to note that the report was unsatisfactory because certain propositions in the report were either incorrect or inadequately treated. Thus, the emphasis on industrialization and particularly on the growth of heavy industry as being **indispensable** to economic development was too sweeping a statement since industrialization could not be recommended indiscriminately. In the opinion of the majority of the Commission members the patterns of economic development must necessarily vary over a wide range among countries and areas. Thus, cottage industries, or the creation of a network of machine shops for the benefit of agricultural producers, might contribute to

/economic development

economic development more substantially than the promotion of heavy industry which might never be appropriate if raw materials and other necessary prerequisites were lacking.

14. The minority of the Commission, emphasized that the ultimate goal of economic development was the achievement of independence, both political and economic, by the under-developed countries and territories. Since industrialization alone can free the economies of these areas of colonial features they wished to re-affirm the principle that industrialization is a decisive phase in economic development. For the same reason they wished to endorse the views expressed in the report of the Sub-Commission regarding the safeguards required in relation to foreign financing in order to avoid the exploitation of the economy in the interest of foreign monopolies.

15. These members recommended approval and acceptance of the report as a whole by the Commission with reservations concerning some parts of the report. These included the mention of "disharmony among the Great Powers" as a source of special difficulties for economic development, without an express indication of the expansionist policies of certain Powers as the cause of this; the advocacy of the elimination of double taxation of foreign investors since this means the shifting of fiscal burdens to the masses of the population of the under-developed countries; the failure to mention the discriminatory practices of the International Bank and the International Monetary Fund against certain countries in eastern Europe, the implication that the provision of public health services, technical and scientific training and general education are "prerequisites" for economic development, rather than so many aspects of the same process.

16. As regards the financing of economic development from foreign sources the majority of the Commission considered that the report failed to establish a proper balance between the responsibilities of governments of countries for attracting foreign investments and the responsibilities of the foreign investors themselves. The Commission recognized that given appropriate safeguards for the investor and for the receiving country private foreign capital had substantial advantages as a means of financing economic development. The majority, consequently felt that due attention should have been paid to the ways and means of removing barriers that now interfere with the international flow of capital, especially those arising from lack of security felt by the private foreign investors ready to invest in the under-developed countries.

17. Concerning financing through international agencies the Commission noted that the sole agency at present is the International Bank for
/Reconstruction

Reconstruction and Development. In considering the role of the International Bank in this field, the Commission heard the views of the President of the Bank (E/CN.1/SR.72) and also received a statement from that agency (E/CN.1/71). Some members of the Commission noted that the International Bank had recently made considerable progress in overcoming the practical difficulties involved in developmental loans for the under-developed areas. The President of the Bank expressed the opinion that the resources available to the Bank were adequate for the immediate future to meet all requests for well-conceived and economically sound projects from these areas. Some members were of the opinion that the Commission could play a useful part as an intermediary between the International Bank and the under-developed countries by assisting in the supervision of arrangements for the carrying out of large economic development projects.

18. While recognizing the useful role played by the International Bank in financing economic development of under-developed areas some felt that there was a need for filling the gap which now exists in respect of the international inadequacy for financing development; in particular there was a need to aid under-developed areas to finance developmental projects which could not satisfy the conditions required by the Bank, or carry the interest charges involved, or be liquidated within the customary period. Accordingly these members were of the opinion that the proposal of a member of the Sub-Commission for the creation of a new international agency to be known as the United Nations Economic Development Administration, described in the annex to the third report of the Sub-Commission, deserved further and detailed consideration.

19. Because of the possibility that anti-cyclical policies adopted or planned by the Member Governments might include measures which would result in a curtailment of production and thus lead to a waste of productive capacity which might be made available to under-developed areas for their economic development, the representative of Norway recommended to the Economic and Social Council a draft resolution contained in annex A.

20. The representative of India believed that the problems of under-developed and undeveloped areas were so diverse that the Sub-Commission could not be expected to arrive at recommendations equally applicable to all of them. Therefore it would be necessary for the Sub-Commission to define and group together those under-developed areas of the world having similar types of problems and with respect to each group to consider their specific problems upon which a course of action might be recommended. Among these problems might be included:

/a. Rehabilitation

- a. Rehabilitation and development of sources of raw materials
- b. Development of hydro-electric power and other sources of energy
- c. Supply of agricultural, industrial and other capital equipment
- d. Training of technical personnel
- e. Improvement of agricultural production methods
- f. Improvement of system of land tenure
- g. Co-operative farming
- h. Marketing of surplus commodities
- i. Transport and communications

21. It was generally agreed that specific recommendations were required as to measures to increase, mobilize and canalize savings towards the purposes of economic development. As the Sub-Commission's report contained no specific recommendations in its discussion of these three headings - the representative of the United States of America suggested that concrete studies should be undertaken by the Secretary-General with the aid of the specialized agencies and specially qualified experts on an ad hoc basis in order to provide a firm basis for such recommendations. A list of such concrete studies is contained in the (proposed) resolution of the Commission, attached as annex B.

ANNEX A

The Economic and Social Council, acting under Articles.... of the United Nations Charter and taking into account actions previously taken by the Council and by the General Assembly (resolutions....) and in conformity with the directions given to the Council by the General Assembly

1. Urges the Member Governments in their working out of national plans for anti-cyclical measures to consider the possibilities of giving such measures a form which may promote economic development. Especially the Council wants to impress upon the Member Governments before they take any action which might entail restriction of the utilization of productive capacity and natural resources to consider the possibility for alternative measures that may lead to a higher utilization and channel the additional production in the direction of economic development projects.
2. Instructs the Secretary-General in co-operation with the specialized agencies and regional commissions, to work out a plan for the organization of the machinery necessary to secure such a form of international co-operation of utilizing excess capacity for development projects, by taking the initiative, conducting negotiations and investigating the practical measures necessary to implement such arrangements, and specifically: what contribution can be made by the agencies of the United Nations or by the specialized agencies in solving these problems.

ANNEX B

The Economic and Employment Commission

1. Having considered the problem of financing economic development in under-developed countries,
2. Having noted that the Economic and Social Council in its resolution 179 (VIII) requested the Secretary-General in co-operation with the specialized agencies concerned to submit a report on methods of financing economic development to the ninth session of the Council,
3. Believing that the data before the Commission and the analyses of the problems involved are insufficient to make any specific recommendations to the Council at this time,
4. Recognizing that the Secretary-General may already have underway studies of obstacles to and progress in economic development in the under-developed areas and other studies which may bring forward some of the analyses and suggestions for practical action which the Commission seeks;
5. Recommends that the Secretary-General undertake new studies on such topics and in such degree of detail as suggested in paragraph 8;
6. Further recommends that the Secretary-General seek the co-operation of the specialized agencies concerned, and make arrangements for inviting individual experts or groups of experts specially selected on the basis of their qualifications to deal with particular problems to prepare such studies as suggested in paragraph 8 and to present their findings and recommendations in their own name to the Commission;
7. Suggests that the specialized agencies and any interested subsidiary organs of the Economic and Social Council be invited to present to the Economic and Employment Commission their views on the specific subjects for further study which, in their opinion, could make an important contribution to economic development. These suggestions should, whenever possible, be accompanied by an outline of the main issues and the methods of analysis which might be used for such studies.
8. The topics on which studies are recommended in paragraph 5, above, are as follows:

(a) Survey of private foreign investments in selected countries

A survey of the more important types of laws and regulations affecting the operations of foreign private capital which are most prevalent in less-developed countries, with a view to evaluating the extent to which such regulations on the part of the under-developed countries are deterrents to the international flow of private capital;

/(b) Methods of

(b) Methods of increasing domestic savings and of increasing the proportion available for developing

A study dealing with methods presently employed or which might be employed in under-developed countries to increase domestic savings, including positive inducement to savers, the utilization of local savings habits and the provision of suitable facilities and institutions. Various forms in which savings now become available should be described as well as the manner in which they contribute to economic development;

(c) Financial institutions needed for economic development

A study and comparison of the advantages and disadvantages of the various types of savings and financial institutions which have been, or might be, employed in various under-developed countries and which may serve as models for other under-developed countries, for the purpose of mobilizing domestic savings. Also, a study of the types of savings and investment institutions appropriate to the different stages and types of economic development, as shown by the experience of selected countries;

(d) Effect of economic development on volume of savings

An examination of the direct effects of various types of economic development projects, (e.g., heavy industry as compared with agriculture) on the volume and rate of savings, as illustrated by the experience of selected under-developed countries.
