

ECONOMIC AND EMPLOYMENT COMMISSION

SECOND SESSION

SUMMARY RECORD OF THE TWENTY-EIGHTH MEETING

Held at Lake Success, New York, on Friday, 6 June 1947, at 2:00 p.m.

Present:

Chairman:	Mr. A.P. Morozov	(Union of Soviet Socialist Republics)
Rapporteur:	Mr. I. Lubin	(United States of America)
	*Mr. E.J.R. Heyward	(Australia)
	*Mr. De Sellier de Moranville	(Belgium)
	Mr. J. Nunes Guimaraes	(Brazil)
	*Mr. L. Kaminsky	(Byelorussian Soviet Socialist Republic)
	*Mr. J.F. Parkinson	(Canada)
	**Mr. P.C. Chang	(China)
	*Mr. C. Blanco	(Cuba)
	*Mr. L. Radimsky	(Czechoslovakia)
	Mr. J. Rueff	(France)
	Mr. R.K. Nehru	(India)
	*Mr. P.J. Bjerve	(Norway)
	*Mr. A. Rudzinski	(Poland)
	Mr. R.L. Hall	(United Kingdom)

Specialized Agencies:

Representative: Mr. D. Lusher (FAO)

Non-Governmental Organizations:

Consultants: Mrs. L. Spiegel (WFTU)  
Miss T. Sender (AFL)  
Mr. W. Campbell (ICA)

Others: Specialized Agencies:

Observers: Mr. G. de Fleurieu (World Bank)  
Mr. G. Williams (International Monetary Fund)

Secretariat: Mr. D. Weintraub (Commission Secretary)

\* Alternate for the Second Session.

\*\* Mr. T.Y. Wu sat in Mr. Chang's chair during the first half of the meeting as observer.

/Continuation

Continuation of Discussion of Item 5 of Agenda

The CHAIRMAN opened the meeting and announced that discussion of Item 5 of the Agenda would be continued.

Mr. KAMINSKI (Byelorussian Soviet Socialist Republic) said that the work of the Commission and the recommendations which it might make concerning the solution of international problems in the economic field was a task of the United Nations. In carrying out its task of seeking a solution to the complex problems set before it, the Commission should bear in mind the principle of non-intervention in internal affairs. Only such broad international aid should be extended as would aid substantially the solution of economic problems, and as would not violate the equal rights of peoples and governments. The Commission should fight for the principles on which the United Nations were based, and consistently adhere to the Charter in the solution of problems affecting peoples or governments individually or collectively.

He hoped that the recommendations to be worked out by the Sub-Commission on Economic Development would be within the limits of the United Nations Charter, and would aim at methods for the better utilization of world resources, manpower, labour, and capital in accordance with the terms of the Charter.

It was said that many less developed countries were not prepared for advanced technological methods, and that development in those countries should be limited to such things as handicrafts. This violated the right of self-determination of peoples.

The Commission and Sub-Commissions should object to these incorrect methods of solving economic problems. Such projects would not lead to the solidification of mutual co-operation. The Commission's recommendations should be a progressive force in the development of all nations and all peoples.

Mr. KAMINSKY stated that to him as the representative of a young

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socialist country, certain things were very obvious. Certain countries which were considered at one time backward, could with the help of their peoples, and under certain conditions, overtake the so-called advanced peoples. There could be no conflict as long as the progress of any nation did not go counter to the interests of peace-loving peoples and countries. It seemed to him that the choice of developmental methods in any country was the sovereign choice of its people and of its government. The less developed countries should be allowed to develop industries so that they might strengthen their defense, raise their standards of living, and work for the peace and security of the peoples of the world. All of this could be done through the help of the United Nations.

As he saw it, there were three urgent problems to be considered: the rehabilitation and reconstruction of devastated areas; the development of the less developed countries; and international aid to democratic countries which required it. Exhaustive work needed to be done on those problems. Many countries had been weakened by World War II and were in need of equipment, raw materials, and food. At the same time, there was a tendency towards an excessive rise in export prices, and this retarded recovery and progress.

On the one hand, countries with devastated economies had insufficient foreign exchange with which to purchase their necessities, while, on the other hand, there were not enough countries able to lend, and the conditions under which loans were extended were such that loans accepted ostensibly for use in economic development were often used for military purposes.

He stressed once more the urgency of the three problems to which he had referred and thought that they should be considered immediately and that action should be taken on them before anything else was done.

Mr. GUIMARAES (Brazil) felt that economic development was not synonymous with industrialization. Economic development was a broader

term than industrialization. To him, economic development implied better industrial equipment; increased use of fertilizers; the raising of general standards of education and skilled labour; the modernization of cattle breeding; etc., etc., according to the needs of each country individually.

Industrialization of the less developed areas should be considered as a part of a broader scheme for their economic development, not the unique factor. Since so many people stressed industrialization, referring to industrial and economic development as identical things, Mr. GUILMARAES thought the Commission should try to discover the reasons for this. To understand the meaning of industrialization for the less developed areas, he thought the Commission should consider: First, the dependence of certain countries and regions upon foreign trade; and secondly, the demographic pressures which decreased agricultural income. He cited the dependence of Latin America upon foreign trade. Australia's economy, also, had suffered the impact of fluctuations of world prices. India and China jointly had a population increase of about 10,000,000 persons annually. The low productivity of the agriculture of these two countries did not allow for an increase in the number of farmers, and industrialization seemed the only outlet for such an increase in population. In the same way, several European countries were attempting to find new jobs for the excess of their low income agricultural populations.

It seemed to Mr. GUILMARAES, then, that the Commission must approach the problem confronting it, bearing in mind the following question: How to improve the extremely low standard of living of about seventy percent of the world population, a great part of which lived on the exportation of primary products to the other thirty percent?

It was clear that the solution of that problem involved the consideration of the equilibrium between the increases of economic productivity in both groups of countries. Both groups were confronted by the problem of the gradual adaptation of their economic activities to new /needs.

needs.

Mr. GUILMARAES then proposed that the following suggestions be transmitted to the Sub-Commission on Economic Development for study:

1. Members of the Sub-Commission should study the problems of economic development peculiar to their regions. The Delegate for the United States, for example, would study the problems in the light of their effects on the economies of highly industrialized countries.
2. Stress should be laid on the importance of the following points in the studies undertaken by the Sub-Commission:
  - (a) Trends of population;
  - (b) Health and sanitation;
  - (c) Transportation (the vital problem for Latin America);
  - (d) Fertilizers and modernization of agriculture, with emphasis on the importance of trade in super-phosphates;
  - (e) The trade of primary products and the plan for inter-governmental commodity agreements sponsored by the ITO;
  - (f) Foreign investments and mixed companies;
  - (g) Energy;
  - (h) Conservation of natural resources. This was a very important point.

All studies should take into account the inter-governmental and specialized agencies.

The CHAIRMAN, speaking as representative of the Union of Soviet Socialist Republics, stated that the Commission seemed to be agreed that the task of the United Nations was to assist the economic development of the underdeveloped countries. However, there were various tendencies apparent in the views expressed as to how such assistance should be undertaken. One tendency was that the development of underdeveloped

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countries should take place in such a manner that it would become supplementary to the more developed countries. Thus branches of industries which would be detrimental or competitive to other countries should not be built up. For example, a country which formerly had imported tractors should not develop a tractor industry for fear that it might injure the interests of a tractor-exporting country. Mr. MOROZOV felt that the countries which held that view wished to dictate to other countries as to what they should produce and thus undermine their sovereignty and the right of self-determination of peoples.

This tendency was reflected in the document presented by the International Chamber of Commerce and in certain other documents. It was clear that, in the document of the International Chamber of Commerce fear was being expressed that the economic development of one country might violate the interests of an already highly developed country. This reflects an attempt to limit economic development of underdeveloped countries to the extent that they should manufacture only those commodities which would assist the highly developed countries.

Assistance should be extended to the less developed countries in the form those countries desired it, and in the interests of their peoples. In other words, assistance should take such a form as to insure that the economic endeavours of the less developed countries would not be hindered, but encouraged. That was the only approach which would encourage and promote wide co-operation among all members of the United Nations. Only such an approach would assist in strengthening the authority of the United Nations.

As far as the better utilization of resources was concerned, there were, in Mr. MOROZOV's opinion, three aspects to be considered: (1) at the second part of the first session of the General Assembly, a resolution had been passed, on the initiative of the Union of Soviet Socialist

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Republics, regarding universal reduction of armaments. Disarmament was necessary to reduce the inflated armaments budgets, and hence to lessen the tax burden on the peoples of the world. Until this resolution was implemented, inflated war budgets and high taxation would continue. This would hinder the wise use of resources, manpower, capital, and labour;

(2) The Commission should consider the significance of international trade. Some countries needed food and other imports for economic development. But speculation was taking place in imports and exports, through price raising. The significance of high export prices was emphasized by the lack of foreign exchange in some countries. This would have many repercussions. High export prices led to monopolies, and this hindered economic stability and development. The Commission should recommend lower prices for export goods;

(3) Stress has been given to the role of loans and credits as the main factors in economic stability. The Commission should approve only such loans and credits as serve economic development, and not loans designed to satisfy the military needs of the countries receiving them, and to gain political advantages for the countries giving them.

Mr. NEHRU (India) wanted to clarify a few statements he had made at a previous meeting. He stated that the Commission was agreed that the Sub-Commission on Economic Development should carry out investigations of the problem of economic development. It would have documents at its disposal and summaries of the discussions of the Commission. He hoped that the Secretariat would prepare a draft report for the Sub-Commission dealing with the Resolution of the Economic and Social Council (document E/403) and specifically discussing the questions of objectives, methods for the better utilization of resources, and international assistance. He did not mean to imply that there was a conflict of interests between underdeveloped and developed countries. He merely wished to emphasize that some countries should have economic development plans which would make them more

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independent and free them from foreign domination. Mr. Nehru agreed that economic development by itself was not enough. It should be accompanied by social measures. Increased production was not sufficient and he believed the Commission should recommend that correct social measures should accompany any economic changes.

He stated that reference had been made to the complexity of the problem but he believed the complexity had been slightly exaggerated and that an attempt to solve it should be made as quickly as possible. He pointed out that economic changes had been brought about rapidly in some countries, such as Soviet Asia. The objectives these countries had in view and the methods used to attain these objectives had been discussed at the Asian Relations Conference. He did not believe that the complexity of the problem was a permanent obstacle. The problem was not whether economic development should or should not take place but whether we progress from the dark ages to the modern age by unilateral action or under the auspices of the United Nations. In India, national and regional measures must be taken. Close co-operation had been set up with other countries in Asia but India wanted the members of the United Nations to understand her problem and help her. He believed that the Secretariat should study this means of international action to attain this. The Report of the Preparatory Committee of the ITO and the Report of the Working Group for Asia and the Far East and other reports had already dealt with this problem. How were these measures to be implemented? Mr. Nehru believed that a scheme to answer this requirement would be of great benefit and value to underdeveloped countries.

Mr. PARKINSON (Canada) noted that the discussion had demonstrated the multitude of problems regarding economic development and the many studies which should be undertaken before the Commission could report and recommend to the Council. The Commission was now elaborating on the terms of

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reference of the Sub-Commission on Economic Development and he welcomed the fact that this problem was to be studied. He believed that publicity, advice and assistance regarding economic development should be given by the United Nations openly and above board. He pointed out that many underdeveloped countries could not wait much longer to raise their levels of consumption and give their people a prospect of improvement in their standards of living. Some countries suffered from war devastation, others from famine, as in India. Other countries faced a slump in the wartime demand for their raw materials, as Latin America. These countries created a demand for scarce materials, capital and technical advice and assistance, but this demand competed with the demands for the reconstruction of devastated areas. Reconstruction would absorb a large part of these scarce materials. In addition, some countries in Europe could no longer play their former role of capital exporters. Therefore, we must be realistic and take into consideration both short-term and long-term needs. We must recognize that other groups are considering the needs of devastated areas, and those requirements which were most urgent of all should be given priority.

Mr. PARKINSON stated that requirements of underdeveloped countries could be served best (excluding the help they can give themselves) in a large multilateral system of world trade. Development in countries needing it should take the form of production of goods for world markets. The Canadian economy was devoted to a group of highly specialized raw materials and food products for world markets, yet Canada was a highly developed country. It was not the mark of a highly developed country that it did not require imports. We could all profit by the exchange of the specialized output of different countries. We did ~~not~~ need to question the motives of this Commission if we stressed that underdeveloped countries should be aware of the danger of hurting their neighbours by trying to produce everything they need within their own portals. He pointed out that

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the world was not divided into two groups - developed and underdeveloped countries - but included all the stages in between.

One of the greatest contributions the United Nations could make to world economic development was to help solve the problem of stability. High prices were the result of instability and of the price which drove underdeveloped countries to produce too many raw materials because of instability of prices on the world markets. The work of the Sub-Commission on Economic Development, the ITO, the International Monetary Fund, was of extreme importance to underdeveloped countries. Mr. Wilkinson believed that development began at home within the jurisdiction of the national government but international assistance was needed and a "climate" for development had to be created. This depended on stability. Long-term capital would not be available in an unstable world. The United States document (E/CN.1/36) in Section 7 drew attention to the avoidance of inflationary pressures. We ourselves, independent of assistance, should take measures such as taxation, fiscal policy, price control, with a view to avoiding inflation and high prices, to stabilize the price level and the instability which would make long-term development impossible.

An organized system of international cooperation had already begun. The war devastation was worse than expected. The process of reconstruction had been slower than anticipated and people were undergoing more suffering and poverty than we estimated. Therefore, the Sub-Commission should be instructed to consider the situation. He was impressed by the remarks of Mr. CHENG (China) and Mr. KORNIE (United States) that much more thinking was necessary. We must continue to operate in terms of emergency needs and also consider long-run development. We were using outmoded or invalid concepts of development. The development of Canada and the United States took place under conditions which are not likely to recur. It was a frontier development of new resources favourable to development and which took advantage of external capital investments.

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The world at large benefited from such things as cheap lumber and nickel. Now we have moved to a semi-planned economy. Capital was not as likely to be available. Taxation was too high and private capital was diminished. International agencies such as the International Bank had partly to replace private capital. The Sub-Commission must work on these new concepts and conditions. He agreed with Mr. CHANG (China) that no one system of development was appropriate to all countries. Different methods should be made familiar and available to all countries, and the Sub-Commission could do this. Mr. PARKINSON suggested that there was still much to be done in investigating and publicizing methods already used but not generally known, as in the case of Asia, mentioned by Mr. NEHRU (India). He associated himself with the warning of Mr. RUEFF (France) that countries undergoing long-term development should see that their plans did not conflict with their neighbours. By neighbours he meant both industrialized and underdeveloped countries, since their plans could also injure the latter group. International specialization should be kept in mind. If a climate for this international specialization was created, through stabilization policies, freeing of trade, etc., an enormous contribution would be given to underdeveloped countries.

Mr. WU (China) pointed out that countries were at various stages of development and hence had different interests. But he did not think the differences between developed and underdeveloped countries should be stressed. Raising the standards of living in underdeveloped countries would aid developed countries and developed countries could aid the underdeveloped ones. He believed the harmony of interests should be stressed.

The CHAIRMAN called for suggestions as to how to conclude the discussion on Item 5 of the Agenda. He wondered what instructions the Commission could form for the Sub-Commission in addition to what was approved at the First Session. He suggested: (1) that the Commission convey in the form of instructions, a Resolution (document E/403) regarding Technical and other

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Assistance, (2) that a summary of the ideas of the members of the Commission be made. The Rapporteur could be asked to prepare a draft report on this for the Commission to study.

Mr. LUBIN (United States of America) pointed out the long delay which would result from passing on to the Sub-Commission a task of preparing a report, since it met only once a year and it would not report to the Commission until January 1948. The Commission would not then report to the Council until July 1948. He agreed with Mr. PARKINSON (Canada) that time was important. Mr. LUBIN pointed out that the Commission could report to the Economic and Social Council at its next session on the discussions which took place at this session and he believed that in spite of the sketchy material at hand, certain recommendations could be made to the Council. However, he thought that with regard to recommendations regarding "better utilization of world resources," it was necessary to know just what those resources were and what activities would make these available when they were scarce. He wondered if one could do an effective job without a balance sheet of what was available, what was being done now, what the needs were, etc. This was a function of the Secretariat and he thought it was important to recommend to the Economic and Social Council that another session of the Commission be held to receive and discuss the report of the Sub-Commission.

Mr. WEINTRAUB (Secretariat) pointed out that even if much of the work to be done as discussed by the Commission should be done by the Sub-Commission, the staff of the Secretariat was not sufficient and could not be augmented to do all the things it was asked to do unless the budget was increased. Certain priorities could be established, but he felt that other matters of stability and employment, not yet considered, were also very important.

Mr. RUEFF (France) feared that the tasks of the Secretariat and of the

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Sub-Commission were not clear. He did not feel that this was work for the Secretariat. Although the two draft reports of the Secretariat were excellent, he thought that the task of defining a policy was the work of the Sub-Commission. He wondered if this discussion had been sufficient to give general directives to the Sub-Commission. He agreed with Mr. PARKINSON (Canada) that the first task of the Sub-Commission or the Commission was to define the concept of economic development. He wondered if there was sufficient consensus of opinion among the members of the Commission to give to the Sub-Commission ideas regarding the concept of economic development and its aims and policies.

Mr. HALL (United Kingdom) stated that the urgency of the task was obvious but the subject was complex, and not only was an examination of the various types of development required but also a careful study of detailed problems. There was some contradiction between the urgency and complexity of the problem and the fact that the Sub-Commission was only to meet once a year and the limited Secretariat staff. It was important that the next recommendations made to the Economic and Social Council should be the result of careful study and hard work. We did not want hurried work incapable of becoming a basis for concrete action or which would lead to an inconclusive debate. The Commission should see that recommendations should only be made after careful study or it would hurt the reputation of the Commission. Either time should be given to the Sub-Commission to do a good job or sessions and Secretariat budget should not be limited.

The CHAIRMAN said that he understood that the consensus was that the Commission should carry out the obligation put upon it by the Economic and Social Council to prepare recommendations for the Council, and to give the Sub-Commission a summary of the ideas and conclusions expressed by the members of the Commission.

Mr. NEHRU (India) felt that the investigation should be carried out by the Sub-Commission and not by an exchange of ideas such as took place in the  
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Commission. He thought the Sub-Commission should study the question in the light of the material placed before it by the Secretariat and the views of the Commission. An analytical study should be prepared by the Secretariat and the factual report already prepared, be placed before the Sub-Commission. The problem of the most appropriate forms for utilization of resources should be studied. The Sub-Commission should submit a report on what forms of international action should be studied and not individual cases. The Preparatory Committee of the ITO and Dr. CHANG's report discussed forms of international aid. How to give effect to these methods had to be considered. The conclusions arrived at by the Sub-Commission would be provisional.

Mr. CHANG (China) suggested the inclusion in the final report of the Commission, of document E/CN.1/W.19 submitted by him, which he did not propose to be debated now, but during the adoption of the final report.

Mr. NEHRU (India) commented that Dr. CHANG's (China) proposal (document E/CN.1/W.19) included only two or three forms of international aid but all forms were mentioned in the Report of the Preparatory Committee of ITO. If reference was to be made to specific means of aid, other forms should also be mentioned. India was not interested in receiving capital, but capital goods. The study should not be confined to these three forms of international aid mentioned in the Chinese proposal.

The CHAIRMAN stated that since the ideas of Dr. CHANG (China) were contained in his draft resolution, other members of the Commission could also submit resolutions expressing their ideas.

Mr. CHANG (China) suggested that other members could prepare statements summarizing their ideas to be given to the Rapporteur. Then these statements could be debated upon and reworded in the final debate.

Mr. RUEFF (France) wanted some clarification of the Chinese proposal. Did Mr. CHANG (China) mean that the Sub-Commission could begin its work before the Secretariat's reports were completed or was it to wait until

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after the work of the Secretariat was completed?

Mr. CHANG (China) stated that the Sub-Commission could meet before the Secretariat's work was finished though the Secretariat's work could begin at once.

Mr. RUEFF (France) did not think preliminary study was necessary. A person with qualified economic training could reach the core of the matter and the Secretariat already had many documents to be put at the disposal of the Sub-Commission.

In concluding the discussion the CHAIRMAN suggested that the Rapporteur draft a few alternative proposals. This was agreed.

#### Agenda Item

Mr. WEINTRAUB (Secretariat) explained that a representative of the Economic and Employment Commission was needed to attend the meetings of the Population Commission in the capacity of an observer without vote.

Mr. LUBIN (United States of America) nominated the representative of Canada to this Commission. He was elected unanimously.

Mr. PARKINSON (Canada) stated that the Canadian Delegate, Mr. J. Deutsch, was now at Geneva but he believed him to be available.

#### Agenda For 9 June

Mr. DE SELLIER (Belgium) asked if Item 7 on the Agenda could be discussed at the meeting on 9 June 1947 since it needed time and study and was closely connected with Item 5.

Mr. RUEFF (France) agreed with the proposal of Mr. DE SELLIER (Belgium). This was agreed.

Mr. WEINTRAUB (Secretariat) drew attention to the fact that the second meeting of the Commission was closed and it was for the Commission to decide the extent to which any precis of this meeting should be circulated. This was to be decided at meeting on 9 June.

The meeting rose at 4:55 p.m.