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Held at Lake Success, New York,  
on Thursday, 19 May 1949, at 2.45 p.m.

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(E/CN.1/W.56) (discussion continued)

<u>Chairman:</u>	Mr. WILSON	Australia
<u>Members:</u>	Mr. de SELLIERS*	Belgium
	Mr. NUNES GUIMARAES	Brazil
	Mr. ASTAPENKO*	Byelorussian Soviet Socialist Republic
	Mr. DEUTSCH	Canada
	Mr. HO	China
	Mr. SILVERIO	Cuba
	Mr. BYSTRICKY	Czechoslovakia
	Mr. RUEFF )	France
	Mr. de SEYNES* )	
	Mr. SAKSENA	India
	Mr. BOE	Norway
	Mr. MOROZOV	Union of Soviet Socialist Republics
	Mr. HALL	United Kingdom
	Mr. LUBIN	United States of America

\* Alternates

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Representatives of Specialized Agencies:

Mr. EZEKIEL	Food and Agriculture Organization (FAO)
Mr. LOPEZ HERRARTE	International Bank for Reconstruction and Development

Consultants of Non-Governmental Organizations:

<u>Category A</u>	Mr. STOLZ	American Federation of Labor (AF of L)
	Miss SANSOM	International Chamber of Commerce (ICC)

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

RAPPORTEUR'S DRAFT REPORT ON ITEM 5 OF THE AGENDA (E/CN.1/W.56)  
(discussion continued)

Paragraph 13

The CHAIRMAN reminded members that the Commission had already decided to delete the last sentence of paragraph 13. The following was the amended text of the paragraph:

"The Commission, however, felt compelled to note that the report was unsatisfactory because certain propositions in the report were either incorrect or inadequately treated. For example, though they agree that some form of industrialization is essential to economic development in practically all cases, they feel that too much emphasis has been given to heavy industry as an essential part of industrialization in almost every case. In the opinion of the Commission, the patterns of economic development must necessarily vary over a wide range among countries and areas."

Mr. SAKSENA (India) proposed the deletion of the words "either incorrect or" from the first sentence of the paragraph. Though the report might have been inadequate, it was not incorrect and the only instance of inadequacy given in the paragraph was that it had placed too much emphasis on heavy industry.

/Mr. LUBIN

Mr. LUBIN (United States of America) believed that the report was both inadequate and incorrect.

Mr. MOROZOV (Union of Soviet Socialist Republics) felt that he could not agree with the contents of the paragraph as a whole and that the deletion of a few words did not make it any more acceptable.

The Indian amendment was rejected by 6 votes to 2, with 4 abstentions.  
Paragraph 13, as previously amended, was adopted by 9 votes to 4.

Paragraph 14

The CHAIRMAN drew the attention of the Commission to the following amended text of paragraph 14:

"The Commission emphasized that the goal of economic development was the achievement of independence, both political and economic, by the under-developed countries and territories. Certain members of the Commission held, however, that 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."

Mr. MOROZOV (Union of Soviet Socialist Republics) proposed the deletion of the second and third sentences of the paragraph. In his opinion the Commission had to discuss the report of the Commission as a whole and it was too early at that stage to formulate any possible dissenting opinion. When the Commission had completed its report, any member who disagreed with any particular point of that report could formulate his views thereon and have them either included in the report or appended thereto as a footnote.

The CHAIRMAN believed that the discussion would progress more rapidly if the report included both majority and minority views. The views of the majority would be given as the opinion of the Commission as a whole, and if some members held a different view the report would make it clear that certain members had disagreed with that opinion.

The Commission adopted the first sentence of paragraph 14.

After a further exchange of views, and in view of discrepancies in the translations, the Commission deferred the examination of the remaining two sentences of paragraph 14.

#### Paragraph 15

Mr. de SELLERS (Belgium) proposed that only the first sentence of paragraph 15 should be retained.

Mr. MOROZOV (Union of Soviet Socialist Republics) said that he would prefer to state his views after he had studied the section of the report representing the views of the Commission.

Mr. de SELLERS (Belgium) explained that he had proposed the deletion of sentence 2 of paragraph 15, because the views of the minority were more adequately expressed than those of the majority.

Mr. MOROZOV (Union of Soviet Socialist Republics) stated that he had no objection to the deletion of sentence 2 of paragraph 15, but that his opinion was not based on majority or minority considerations.

The CHAIRMAN put the deletion of sentence 2 of paragraph 15 to the vote.

It was unanimously agreed that sentence 2 of paragraph 15 should be deleted.

The CHAIRMAN, speaking as the representative of Australia, proposed that sentence 1 of paragraph 15 should also be deleted, because it seemed illogical for it to constitute a separate paragraph.

/Mr. BYSTRICKY

Mr. BYSTRICKY (Czechoslovakia) remarked that the Commission could suggest later in which part of the report that sentence should be placed.

The CHAIRMAN stated that the whole of paragraph 15 would be deleted. The Commission reserved the right to reconsider sentence 1, if it so wished.

Paragraph 16

The CHAIRMAN noted that the drafting amendment proposed by the representative of Norway in document E/CN.1/W.56/Add.2, was accepted.

Mr. BOE (Norway) felt that, with regard to the problem of financing economic development, private investment in foreign countries could be expanded, provided there were sufficient safeguards both for the investors and the countries receiving financial aid.

Mr. MOROZOV (Union of Soviet Socialist Republics) felt that paragraph 16 was a one-sided statement of fact in the interests of investors. Its provisions would eliminate all obstacles to the flow of foreign capital into other countries. No mention was made of the unfortunate results of foreign capital in the past. A flow of foreign capital would lead to the dependence of the under-developed countries on the economically powerful countries.

He would therefore vote against paragraph 16.

Paragraph 16 was adopted with minor amendments, by 10 votes to 4.

Mr. SAKSENA (India) requested that the members who had not supported paragraph 16 should be allowed to submit a separate report if they so wished.

The CHAIRMAN agreed to the request of the representative of India.

Paragraph 17

Mr. LUBIN (United States of America) suggested that the Brazilian representative's proposed additions to the draft report (E/CN.1/W.56/Add.1) should be inserted as a new paragraph 17. He also proposed a drafting amendment.

Mr. NUNES GUIMARAES (Brazil) accepted both suggestions.

Mr. de SELLERS (Belgium) said that foreign investors who invested capital in an under-developed country wished to be able to repatriate all their profits and, if necessary, the capital invested also. He therefore felt that the absence of any reference to the possibility of repatriating capital and to the guarantee that only a proportion of profits could be transferred in (c) and (d) of Mr. Guimaraes' proposals was liable to act as a deterrent. If Mr. Guimaraes meant that when profits were less than a given percentage of the capital invested their transfer would be assured, and that when higher, the transfer of only a certain proportion would be guaranteed, that would be likely to discourage investors. If, however, the transfer of all profits was guaranteed, there remained only the question of the repatriation of capital.

Mr. NUNES GUIMARAES (Brazil) said the main obstacle to the free transfer of foreign capital, profits etc. from the less developed countries was caused by their balance of payments difficulties, arising from the fact that they usually depended on the export of one or two primary products. It was therefore more convenient and prudent to guarantee transfer of a low fixed proportion, so that the transfer of foreign capital should not cease. The countries would, of course, endeavour to transfer the whole amount, if possible. It was in fact better to guarantee a limited quantity than to have no guarantees at all and he thought that that should act as an inducement to foreign investors.

He agreed with the French representative that (d) should be a separate paragraph and that it did not come under the enumeration of special inducements.

Mr. SAKSENA (India) proposed the deletion of (d) and the addition at the end of (c) of the words "and the balance of payments position of the country concerned."

That amendment was adopted.

Mr. de SELLERS (Belgium) proposed the addition, under the enumeration of special inducements to foreign investors, of other ideas such as the avoidance of double taxation and the possibility of repatriating capital to the country of origin.

/He specified

He specified that by the elimination of double taxation he did not mean the procedure suggested in the report of the Sub-Commission on Economic Development, namely that the capital investing country should not tax its nationals. He thought double taxation should be avoided by bilateral agreements between the countries concerned.

After further discussion, Mr. LUBIN (United States of America) formulated the new proposed paragraph (c) as follows:

"Insofar as foreign capital is involved

"(1) The elimination of double taxation by bilateral or multilateral agreements.

"(2) Transfer guarantees for profits, dividends or interest. The extent of the guarantees for the various fields need not be identical; the scale might reflect the relative importance of the various types and fields of investment and the balance of payments position of the country concerned.

"(3) Provision for the repatriation of capital."

Mr. MOROZOV (Union of Soviet Socialist Republics) said that the reasons which had led him to vote against paragraph 16 would oblige him to vote against the proposed paragraph 17 also.

The matters dealt with in paragraph 17, such as elimination of double taxation, were plainly in the interests of investors. He had already clearly expressed his views on that subject and voiced his objections to the proposal, based on the fact that the elimination of double taxation was tantamount to granting privileges to investors which would increase the tax burden of the masses of the people.

On the request of Mr. BOE (Norway), a separate vote was taken on the various sub-divisions of the new paragraph 17 (E/CN.1/W.56/Add.1).

The preamble, as amended by the representative of the United States of America, was adopted by 11 votes to 2, with no abstentions.

Sub-paragraph (a) was adopted by 11 votes to 2, with no abstentions.

Sub-paragraph (b) was adopted by 10 votes to 2, with 1 abstention.

Sub-paragraph (c), as amended, was adopted by 11 votes to 3.

Paragraph 17 (E/CN.1/W.56)

Mr. BOE (Norway) assumed that voting in favour of the paragraph did not imply that members subscribed to the opinion expressed by the

President of the International Bank, as reported in the paragraph.

Paragraph 17 was adopted by 9 votes to 3, with 1 abstention.

Paragraph 18 (E/CN.1/W.56)

Minor drafting amendments were proposed to paragraph 18 by the CHAIRMAN and the representative of INDIA.

Mr. de SELLERS (Belgium) pointed out that the views expressed in the paragraph were not those of the Commission, and that that paragraph was in direct contradiction to the statement by the President of the International Bank given in the preceding paragraph.

He was opposed to the idea of establishing a new agency for international financing. His country was a member of the International Bank and if his Government thought the Bank could not adequately fulfil its functions it would point that out through its representative to the Bank. He felt that if a project was productive it would be financed by the Bank, if not it should be discarded. He could not, therefore, support paragraph 18, and he proposed that less importance should be given in the report to the suggestion for the establishment of the United Nations Economic Development Administration (UNEDA), and that a statement should be added saying that some members did not think there was any need to establish a new organization.

Mr. LUBIN (United States of America) thought the Commission must express an opinion on UNEDA, since the Sub-Commission had recommended it for its consideration.

He proposed the addition of the words "the gap which in their opinion now exists" in the first sentence. He also proposed the addition of the sentence "The Commission felt that there was no need for the creation of a new international agency in the field of international finance," at the beginning of the paragraph.

Mr. BOE (Norway) could not support that suggestion. While he felt that UNEDA was not very practicable, he thought there might be a possibility of useful additions in that field. He drew attention to point 5 in his proposed additions (E/CN.1/W.56/Add.2), which would be excluded if he voted for the sentence proposed by the United States representative.

It was agreed to suspend consideration of paragraph 18.

The meeting rose at 5.35 p.m.