



UNITED NATIONS  
 ECONOMIC  
 AND  
 SOCIAL COUNCIL



E/CN.1/SR.108  
 18 May 1951  
 ORIGINAL: ENGLISH

ECONOMIC, EMPLOYMENT AND DEVELOPMENT COMMISSION  
 PROVISIONAL SUMMARY RECORD OF THE HUNDRED AND EIGHTH MEETING

Held at Headquarters, New York,  
 on Tuesday, 15 May 1951, at 10.30 a.m.

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|------------------|---------------------|----------------|
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| <u>Members:</u>  | Mr. BUNGE           | Argentina      |
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|                  | Mr. WOULBROUN       | Belgium        |
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\*Alternates

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Members (continued):

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Mr. MADRICAL	Philippines
*Mr. KATZ-SUCHY	Poland
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*Mr. WILSON	United Kingdom of Great Britain and Northern Ireland
Mr. STINEBOWER	United States of America
Mr. LANG	Yugoslavia

Representatives of specialized agencies:

Mr. DAWSON	International Labour Organisation (ILO)
Mr. EZEKIEL	Food and Agriculture Organization (FAO)
Mr. ADLER	International Bank for Reconstruction and Finance (Bank)
Mr. LOPEZ HERRARTE	

Representatives of non-governmental organizations:

<u>Category A:</u>	Miss KAHN	World Federation of Trade Unions (WFTU)
	Mr. HEILPERIN	International Chamber of Commerce (ICC)
<u>Category B:</u>	Miss STAPLETON	National Association of Manufacturers (NAM) (United States of America)
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FINANCING ECONOMIC DEVELOPMENT OF UNDER-DEVELOPED COUNTRIES (E/1970) AND REPORT OF THE GROUP OF EXPERTS APPOINTED BY THE SECRETARY-GENERAL UNDER ECONOMIC AND SOCIAL COUNCIL RESOLUTION 290 (XI) ON MEASURES TO REDUCE UNEMPLOYMENT AND UNDER-EMPLOYMENT IN UNDER-DEVELOPED COUNTRIES IN LIGHT OF REQUIREMENTS OF ECONOMIC DEVELOPMENT (E/1986): GENERAL DISCUSSION

Mr. BURY (Australia) said that he was attending the Commission as an expert and not as a representative of his Government, which felt that the Economic, Employment and Development Commission had been constituted as an independent body of experts to make recommendations for the consideration of Governments.

He congratulated the group of experts on their report (E/1986) which provided a useful basis for discussion. The report had, however, certain faults both of emphasis and of omission. A large part of it should have been devoted to an appraisal of the measures already taken to promote development but as the report made no reference to such international action, its recommendations had but limited value.

/An inevitable

\* Alternates.

An inevitable drawback of reports by experts was that they were of necessity general in approach, whereas economic development was a highly specific subject, closely related to the circumstances prevailing in each country. The global approach in surveys of conditions in advanced countries was often misleading and as applied to the under-developed countries was almost valueless. The reports over-stressed the importance of plans and did not place sufficient emphasis upon the importance of establishing the conditions for spontaneous economic growth. It was also unduly mechanistic in outlook.

An analysis of the conditions which had enabled the advanced countries to reach their high standards of living was the best guide for the development of the under-developed countries. The relatively high standard of living in the more industrialized countries was largely due to the progressive application of scientific methods coupled with a highly materialistic philosophy and a gradual repudiation of social and religious customs which would have made any real progress impossible. The Commission should not disregard the fact that radical changes would be necessary in the outlook of the peoples of many under-developed countries before substantial economic progress could be made. The under-developed countries should also consider the consequences of a radical change in their way of life. Otherwise outside assistance could not materially improve their lot. For example far-reaching changes in the animal and agricultural husbandry practices in many countries would be necessary, for real progress could only be made if those practices were divorced from religion.

Another problem vital to economic development, mentioned in the report, was that of population. In many countries any rise in standards of living through economic development would be threatened by resulting increases in population. The prospects of raising living standards so quickly that they would impose a check upon population growth appeared most unlikely and a more direct approach was needed. The problem of preventing any further increase in the population of certain countries should, therefore, be urgently drawn to the attention of the Economic and Social Council.

The issues to which he had referred were essentially matters for the consideration of the countries concerned. Moreover, economic development depended largely upon the perseverance of the peoples of the countries themselves. Advanced stages of economic development had usually been reached as a result of individual effort. Outside capital or other forms of assistance had never played more than a marginal role in attaining that goal. The over-emphasis on international factors

/in economic

in economic development might even obscure the fact that the peoples of the countries concerned must make substantial efforts if any true progress was to be made. Furthermore, a disregard of the domestic factors might create false hopes which could not be fulfilled, and thus lead to a sense of frustration.

As he felt that domestic factors were the necessary foundation of international measures, he was interested in the reaction of members of the Commission, particularly those from the under-developed countries, towards the report's recommendations in that field.

His chief misgiving as regards the international recommendations in the report arose from the fact that facilities offered by the existing institutions fulfilling developmental functions, apart from the International Bank, had not been sufficiently examined as to their possible expansion. Nevertheless, extensive activities had already been undertaken by United Nations agencies. Certain European countries had launched ambitious colonial development schemes. Many countries were participating in the Colombo Plan, colonial plans and the work of the United States Economic Co-operation Administration should not be forgotten. Such activities should provide the practical foundation for future progress.

When proposing the creation of new institutions, the experts had apparently overlooked the lack of suitable personnel. It was extremely difficult to recruit the necessary qualified senior staff for already established organizations and the problem would become even more acute if new organizations had to be staffed. In addition, no new machinery should be created unless the Commission were shown that no other solution to the problem could be found.

In dealing with the recommendations in the report, the Commission should assess the work of existing institutions and suggest practical rather than global solutions, taking into account the problems arising out of the rearmament programmes. Such demands of rearmament which made it possible for some under-developed countries to carry on development without any large outside material assistance, would be beneficial to those countries. At that stage, however, it should be possible for the Commission to plan for the time when rearmament needs had been met and the more highly industrialized countries would have resources to spare for overseas investment.

/The CHAIRMAN,

The CHAIRMAN, speaking as the representative of Brazil, pointed out that the experts' report (E/1986) had been correctly presented as a counterpart to the report on full employment submitted the previous year. The representatives of the under-developed countries had often stressed that action to help those areas develop their industrial potential was one excellent way of ensuring full employment in the more advanced countries. As a matter of fact, the Chinese representative at the Commission's first session had pointed out the close connexion between economic development and full employment.

The idea that there was no unemployment in the under-developed countries was erroneous. The real income of workers gave them barely enough to live on. Indeed, one of the most serious problems confronting the under-developed countries was inflation.

At the root of the economic backwardness of over one-half of the world's population was lack of capital and not population pressure. The report itself, in paragraph 135, expressed doubt that economic development must inevitably be dissipated in population growth. That view assumed added importance in the light of the statement Mr. Bury had just made. Lack of capital, even in the sparsely populated under-developed countries, prevented the inhabitants from earning a reasonable income, thus the wide disparity between the per capita income in the more highly developed countries and the under-developed countries could not be ascribed merely to population factors. In the densely populated countries the problem of capital formation was difficult, for the increase in population was not accompanied by a parallel rise in capital formation. The economically under-developed countries needed to make extensive investments in public utilities, education and sanitation, but the accumulation of domestic capital could not keep pace with the population growth. For those reasons it was essential that much foreign capital should be invested. It was in view of the significant role of international financing in the economic development of the under-developed countries that the Philippine representative had suggested that the Commission should begin its work with a discussion of the recommendations in the experts' report relating to the flow of international capital to the under-developed countries.

The sense of the Commission seemed to be that the problem of the economic development of the under-developed countries could be solved only if all nations tried to settle their particular problems within the international framework on the basis of rational co-operation. He wished to stress the decisive importance of foreign capital in economic development and the need to pay special attention to economic institutions such as those referred to in recommendation 8.

More than half of the people of the world were caught in a vicious circle. Low productivity made it impossible for them to buy capital goods, which would enable them to increase their production. Foreign capital from private individuals or institutions, however, would help to solve their problem.

Furthermore, it was imperative that international trade should contribute to raising the standards of living throughout the world by a customs regime which did not exceed the limits of production. Unfortunately, countries which were dependent on one or two exports often resorted to a system of irrational protection, which reduced the rate of domestic capital formation. In considering that problem recommendation 9 was of fundamental importance.

Mr. EZEKIEL (Food and Agriculture Organization), speaking as a technical expert rather than as representative of FAO, said that the experts' report (E/1986) would be before the forthcoming session of the FAO Council. He wished to make a few brief comments in the light of FAO's experience.

The question of underemployment in the under-developed countries was of particular concern to FAO, for the economies of most of the under-developed countries were chiefly agricultural. The recommendations in the report coincided in many points with the conclusions FAO had reached from experience. He wondered, however, why the experts had made no reference to measures already taken to promote economic development. The question of government action to control monopolies and the number of industries, for example, was approached on an unrealistic basis. The under-developed countries were hampered by a lack of education, by under-developed industries and under-developed governmental and administrative services. Their ability to direct and control far-reaching programmes was limited. It was just as essential for them to build up a corps of trained administrative workers as it was to educate technical staff. If such difficulties had been more fully considered, the recommendations and comments in the early chapters of the report might have been altered.

He expressed his appreciation of those sections of the report which stressed the need for education as a part of the process of economic development. In studying the USSR before the war, and other Eastern European countries, the Mediterranean, the Far East and Latin America, since the war, he had been particularly struck by the emphasis there laid on mass education. The Communist

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countries seemed to have modelled their approach to problems of economic development on the practices of the United Kingdom and the United States, except for the way in which they organized the control of business and their government structure. They had apparently taken the materialistic techniques of the western world as their goal and had attempted to teach their people to apply science to all phases of their daily life. Other under-developed countries had apparently centred their efforts on administration or direct economic development and had laid little stress on mass education. Rapid economic development could not be achieved, however, unless the people were wholeheartedly in favour of the programme. Education increased the people's ability to participate in economic development and conditioned their attitude towards such a programme, so that they were willing to renounce customs and traditions which blocked the road to progress. Mexico and Turkey were illustrations of countries where effective programmes of education and social reform had been carried out in conjunction with technical developments in industry and agriculture, and with the maintenance of democratic control of their institutions.

He welcomed the report's stress on the fact that the reform of existing social conditions was a necessary pre-condition for economic development. FAO felt that economic development could not take place unless the institutional arrangements within which farmers worked were such as to encourage them to expand their production. Land tenure systems, farm taxation and other social arrangements might transfer so much income from the farmer to other groups that he would have neither the desire nor the means to adopt new methods or to increase his farm's output. Unhealthy, uneducated farmers were not effective producers. Steps to modernize such aspects of the society might be just as important for agricultural development as new technical methods of production and advisory services. Both administrative and legislative changes would be necessary to correct the situation. It was particularly difficult, however, to bring about changes in countries where the same group that profited from the existing situation also controlled the administrative and legislative branches of the government. The experts pointed out that such groups must recognize that the consequence of thwarting the modernization of their social structure might be revolution.

/With regard

With regard to the specific measures recommended, he had been impressed by the high figure estimated as the amount of external capital needed to finance the economic development of the under-developed countries. FAO had considered the same question two years earlier and had reached a figure 60 per cent lower than that reached by the group of experts. There had, of course, been new developments in the interval, which might account for such a large increase.

He agreed with the other representatives who had pointed out that the group of experts had failed to relate its recommendations to the work which was already being done. That was particularly clear from the proposal to establish an international development authority. According to recommendation 14 that authority was to assist the under-developed countries in preparing, co-ordinating and implementing their programmes of economic development. In that connexion, he wished to inform the Commission of an experiment made the previous year by FAO in co-operation with the United Nations and the International Bank for Reconstruction and Development. An international training centre had been established at Lahore to teach people from the under-developed countries in Asia how to appraise and formulate, in terms of economic and administrative feasibility, economic development projects. Fifty-five people from eight countries in Asia had attended the course and the whole experiment had proved extremely successful. Similar courses were to be held during the current year; one in Chile for the Latin American countries and one in Turkey for the countries of the Middle East and the Mediterranean basin. Thus it could be seen that some work had already been undertaken along the lines recommended in the report.

Mr. SCHNAKE VERGARA (Chile) recalled that he had been opposed to the idea of holding a general debate because he had felt that the short time available to the Commission would be better spent in dealing with the specific recommendations in the report and attempting to reach a decision on them. However, since the Commission had decided to hold a general debate, he would make a few basic comments.

The authors of the report deserved congratulations for the way in which they had followed the pattern established in previous United Nations reports on related subjects and for the concrete recommendations they had arrived at. The report was the first attempt to co-ordinate all the divergent ideas expressed on the subject during the past few years.

/The representative



The representative of Australia had implied that each of the under-developed countries should be responsible in isolation for its own economic development and should try to follow and imitate the way in which the industrialized countries had achieved their higher standards of living. Such an approach was totally different from and alien to the whole pattern of United Nations activity, and if it were now to be adopted the United Nations would have to retrace its steps and undo almost all the work already done in the field of promoting economic development and achieving full employment. It should always be borne in mind that the fundamental objective of the United Nations in the economic field accepted by the group of experts was to achieve welfare through full employment, and it had been generally recognized that full employment could only be achieved by means of an expanding world economy, involving, as its basic element, the economic development of under-developed countries. Thus to assist in the economic development of under-developed countries was one of the most important tasks of the United Nations and the Organization would be failing in its mission if it left the individual countries to do everything by their own unaided efforts. If the principle of common and co-ordinated efforts by both the less and the more developed countries was lost sight of and the international endeavour was dispersed, the economic development would not move ahead.

Some representatives had criticized the report on the ground that it did not give an adequate analysis of the preconditions and conditions which must prevail in the under-developed countries before any development programmes could be put into practice. Such a criticism was quite unfounded since the report contained a full chapter on the subject, entitled "Preconditions of Economic Development". The FAO representative had implied that the report did not dwell sufficiently on the need for education. That was not the case, since chapter V dealt with the question quite fully and some of the functions of the proposed International Development Authority covered that field specifically.

/In the past,

In the past, it had also been true to state that steps should be taken to create a desire for progress among the inhabitants of the under-developed countries, but that aim had been achieved long since. The time had now come for an effective international co-operation for financing to take concrete steps to satisfy the desire for progress, because, if it remained unsatisfied, it would only serve to destroy the economic, political and social stability of the countries concerned. It was therefore essential to attack the problem as a whole and to adopt some definite, effective and adequate measures for its solution.

The report should not be criticized for failing to deal adequately with the work already accomplished. The experts would have been duplicating the work of previous groups if they had recapitulated in detail all the past work on the subject. Instead, they had quite rightly kept to their terms of reference and had produced a very satisfactory document. It was quite true that much more could have been said about the existing internal conditions in each of the under-developed countries. Doubtless they should be taken into account and certain requirements had to be fulfilled before any programmes for economic development could be put into effect. Those points, however, had been amply discussed in the past by the United Nations and there was no need to dwell on them further during the current session. The report itself devoted several chapters to these questions.

There were however some points which had not been given adequate treatment in the report. For example, it failed to analyse fully how far the highly developed countries would be able to help in the economic development of the under-developed countries, not in terms of money, but in terms of scientific knowledge and experience of consciousness about the problems of under-development. On the other hand, the report was extremely realistic in its approach to the need for a very considerable foreign financial assistance, although the calculations of the amount of foreign capital needed for an effective development programme might be questioned. It had also pointed out quite rightly that, although the amounts needed to meet the requirements were very high, they actually represented an extremely small percentage of the national incomes of the highly developed countries. That was not an utopic approach but a highly realistic one. Those countries had already been investing in the past much larger sums abroad and the success of the European Recovery Programme showed how much could be done when a real effort was made. It was also realistic to expect the International  
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to  
Bank to increase its lending to under-developed countries up/ 1,000 million dollars annually. Another extremely important point mentioned in the report was that rearmament should not be allowed to interrupt the development programmes completed and that the under-developed countries should be assured of a regular and adequate supply of goods and services. He warmly supported that suggestion and proposed that the United Nations should urge the countries concerned to guarantee that the development programmes of the under-developed countries just as essential as rearmament itself would be maintained at a given rate in spite of rearmament, by reserving a small percentage of its production for those purposes.

He felt it would be useful to establish an International Development Authority as proposed in the report in order to provide some central co-ordination for advice and assistance on all the economic development and technical assistance programmes. If there was no such central organ for co-ordination, the specialized agencies might each have their own offices to advise the under-developed countries on questions of co-ordination and there would then be confusion and duplication of work. In fact such overlapping and waste existed now and should be avoided. He also agreed with the suggestion that some different form of financing should be used for non-self-liquidating projects and, in that case, it would be more than ever necessary to establish a central co-ordinating authority. The International Bank/<sup>had</sup>repeatedly stated that the financing of economically feasible projects offered no difficulty. The definition of "economically feasible" would be required, however; the proposed financing of "social overhead" projects by some special means was very useful. Co-ordination between investments in economic and in social projects must be made, thus enhancing the economic effects of both and avoiding the possible pernicious effects on the balances of payments of the under-developed countries.

The report did not deal adequately with the question of international assistance in developing the domestic resources of the under-developed countries but he would deal with that question later, when the Commission discussed the specific recommendations.

Concluding his general remarks, he emphasized that, throughout its discussions the Commission should always bear in mind the essential link between the question of full employment in the more developed countries and the economic development of under-developed countries.