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President: Sir Douglas COPLAND (Australia).

Present:

The representatives of the following countries: Argentina, Australia, China, Czechoslovakia, Dominican Republic, Ecuador, Egypt, France, India, Netherlands, Norway, Pakistan, Turkey, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Venezuela, Yugoslavia.

Observers from the following countries: Colombia, Costa Rica, Indonesia, Iran.

The representatives of the following specialized agencies: International Labour Organisation, Food and Agriculture Organization of the United Nations, United Nations Educational, Scientific and Cultural Organization, International Bank for Reconstruction and Development, World Health Organization.

AGENDA ITEM 5

Economic development of under-developed countries (E/2538, E/2604 and Corr.1 and 2, E/2655, E/2670, E/2689, E/2690, E/2691) (continued)

1. Mr. GINEBRA HENRIQUEZ (Dominican Republic), speaking on behalf of his Government, which was carrying out an extensive programme of economic development, thanked the Secretary-General for the valuable document he had made available to the Council.
2. He wished first to explain the meaning he attached to the expression "economic development". In order to define that term, he proposed to examine the criteria considered in deciding whether or not a country was under-developed. A criterion sometimes used was the ratio of available land to population, a country in which the ratio was low being considered under-developed. He rejected that criterion.
3. Furthermore, undue importance should not be attached to a mere shortage of capital reflected in a high rate of interest. Interest rates were often high because the lenders required a premium to cover the risks they ran.
4. Another criterion was the ratio of available capital to other production factors. If that ratio was low, the country was under-developed. The criterion, however, was debatable from the strictly theoretical point of view, as productivity might be unusually low as a result of unfavourable climatic conditions or the mismanagement of public affairs.

5. Another criterion sometimes used was the ratio of industrial production to total production or of the industrial population to the total population. That was a mistake often made by those who regarded economic development and industrialization as synonymous. In his opinion, industrialization was only an important phase in economic development, not an end in itself. The object was in fact to improve the material conditions of the population.

6. Explaining the principles underlying his Government's economic development programme, he stated that the Dominican Republic was economically dependent on its exports and the authorities had therefore long since prepared an economic development programme designed to reduce that dependence and at the same time to make fuller use of the country's natural resources; the programme sought to expand production and reduce costs, to create new jobs and to raise the income level.

7. As industrialization was impossible without agricultural development, the Dominican Republic was introducing new agricultural techniques and had set up a financial agency, the Banco de Crédito Agrícola e Industrial. At the same time, it had not neglected the development of industry or mining, as was proved from the balanced progress of the national economy, the general increase of productivity, and, last but not least, the increase in the national income, which had risen from 348,800,000 dollars (D.R.) in 1950 to 525,500,000 in 1954. Moreover, the volume of investment and employment in industry had steadily increased. The Dominican Government did not intend to stop there; it had recently completed an electric power-station and had announced the launching of an industrial development plan.

8. In conclusion, he said that he shared the Argentine representative's views (839th meeting) on the need for regional action to promote the execution of integrated programmes of industrial development.

9. Mr. MIR KHAN (Pakistan) stressed the interest of documents E/2538, E/2655, E/2670, E/2689 and E/2690, but said that his Government had not had time to study them in detail. He therefore hoped that the debate on the questions would not be closed during the current session. He had made a preliminary study of the documents and found that there were some points with which he might have to disagree. For example, certain factors regarded as obstacles to industrialization were not obstacles so far as Pakistan was concerned.

10. Confining his remarks to the process of industrialization and increased productivity in Pakistan, he said that in 1947, when the country had become independent, its economy had been almost entirely agricultural. The Government wished to make Pakistan an industrial country and had established the Pakistan Industrial Development Corporation, which was concerned with the investment of public and private capital.

11. The Government's policy had been to set up industrial facilities to make use of local raw materials, such as jute, wool and cotton, for manufactured goods which the country needed. Pakistan produced jute goods for export and was self-sufficient in cloth, paper and shoes. The country's development had been spectacular. Citing statistics which indicated the progress achieved, he said that there had been an all-round increase in industrial production of 285 per cent between 1950 and 1954; the increase in textile production had also been substantial.

12. Nevertheless, the efforts made by Pakistan could not be confined to industry. The Government was planning to develop power production by harnessing water-power and using recently discovered reserves of natural gas. Agriculture, which was the mainstay of the country's economy and provided employment for 80 per cent of the population, also received constant attention from the Government.

13. As a result of the Government's integrated economic development programme, Pakistan was already a semi-industrialized country.

14. Mr. HSIA (China) said that his delegation was indebted to the Secretariat for its noteworthy and encyclopaedic study on the *Processes and Problems of Industrialization in Under-Developed Countries* (E/2670). Commenting on the passages dealing with densely populated under-developed countries, he said, with reference to the term "capital assets per person" used on page 15, that that was the most important factor in the economic of a densely populated country, as it determined the *per capita* output and income of a country and the level of living of its people. It was important to know whether the *per capita* amount of productive equipment had decreased or increased during the past few decades; unfortunately, that question was not discussed in the Secretariat study.

15. In his view, it was declining steadily in the densely populated under-developed countries, whose capital stock consisted primarily of land and housing. The area of cultivable land could not be extended indefinitely and therefore any increase in population would result in a fall in the average holding of arable land per person. The same argument was true of housing. The decline in capital assets per person was chiefly responsible for the prolonged poverty of the densely populated under-developed countries and was responsible for the discontent prevalent throughout the world and particularly in the Far East. He hoped that the United Nations would undertake a comparative study of changes in the level of capital assets per person.

16. As the study was concerned only with the industrialization of the under-developed countries and did not deal with agriculture, he would confine his remarks to industrialization. The definition of the term "industrialization" as used in the report was somewhat narrow. Any productive activities, outside the fields of agriculture and trade, which added to the total stock of capital should be considered as acts of industrialization; consequently the word "industrialization" should cover the development of manufacturing, mining and transport. Discussion of the term helped to bring out the nature of the problem in the densely populated under-developed countries and the real meaning and functions of industrialization.

17. Turning to the purely economic aspect of industrialization, he commented on the various possible methods of financing. He agreed with the authors of the report that the State should not simply create credit. The authors had listed three circumstances in which an expansion of credit was justified (p. 54), but in his opinion a fourth case could be added: credit might also be created to take the place of savings that leaked into and remained in the financial circulation.

18. Apart from those four cases only savings should be used. He regretted that the study did not provide detailed information on the budget and the finance corporations as methods of mobilizing savings. It would be useful to know, for example, how far Government budgets had been successful in producing surpluses for industrial use and to what extent finance corporations had helped to solve the problem of long-term financing in less favourably situated countries.

19. As examples of the sort of problems that would actually confront an under-developed country, he said that his Government had formulated a general plan for industrial development and decided upon the types of industries to be developed; private capital was given full play within that broad scheme. The Government had also taken steps to promote industrialization (promotion of sales, improvement of working conditions, the development of banking and tax policy). It was also up to his Government to maintain a proper balance between protection and the preservation of free competition and to demarcate the proper fields for public and private enterprises.

20. Mr. FORSYTH (Australia) said that the problem of the economic development of under-developed countries was a many-sided one. Australia was still in a relatively early stage of development and was itself experiencing the problems involved. Table 2 in the Secretariat study (E/2670), showing the relationship of capital formation to gross domestic product in a group of countries revealed that Australia, in 1952, was one of the countries which had the highest percentage. The ratio of fixed investment to gross national product was perhaps the best measure of the rate of economic development because it took into account the amount of resources devoted to all sectors. In Australia the ratio had risen from 17 per cent in 1946-1947 to 29 per cent in 1951-1952 and had been 27 per cent in 1953-1954.

21. Conditions varied considerably from country to country but in general all were confronted with the same pattern of problems. There might be an inclination to place undue emphasis on finance as though the provision of capital itself were the key to the solution of the problem. The report before the Council and the experience of the industrialized countries indicated that the mobilization of resources, development of modern techniques and sound national administration were also of key importance. While assistance might be obtained from abroad, all of those matters were primarily the product of the initiative of the under-developed country itself. That was necessary, not only for the success of any plans but also to ensure the economic independence of the country concerned. The United Nations Expanded Programme of Technical Assistance and the Colombo Plan were examples of almost ideal patterns for the provision of assistance. Under the Colombo Plan, international assistance represented only 18 per cent of the total investment made under the

Plan as a whole. Whatever the form of international assistance, it should be conditional upon and support the programmes of the under-developed country itself.

22. It was sometimes contended that emphasis should be on either public investment or private enterprise, but in fact both were important. In Australia, public investment represented 35 per cent of total investment. The ratio would differ according to the political and social philosophies of the country concerned, but public investment was always bound to be of considerable importance. Public investment provided the framework in which private investment could yield its best results. Balanced economic development depended on the development of tertiary activities and services and in the modern world public enterprise in the under-developed countries was the most suitable means by which the necessary framework of investment could be provided. Accordingly, as some representatives had pointed out, doctrinaire enthusiasms should be avoided; it was necessary to proceed on the basis of experience, bearing in mind the right of the country itself to take the course best suited to its own philosophy. At the current stage he did not intend to deal in detail with what the Council should do; that question would be examined in committee. It was sufficient to remind the Council that, although much remained to be done, considerable progress had been made since the Second World War; never before had so much been accomplished at the international level.

23. In the very structure of the United Nations itself there were many provisions for ensuring that the problem of economic development would be kept before the Economic and Social Council. The United Nations had taken an important step in agreeing in principle to add a new international institution, the international finance corporation (General Assembly resolution 823 (IX)). At the twentieth session of the Council, in Geneva, a further report from a committee of experts on the proposed special United Nations fund for economic development would be considered.

24. Australia, which would continue to co-operate in the United Nations' work in the field of economic development, had succeeded since the war in reconciling economic development with a rising level of living and expanding provision for the appropriate techniques to ensure further progress; it had assisted and would continue to make available such resources as it could afford to countries which have not yet reached the same stage as Australia in their economic expansion programmes.

25. Economic development and industrialization, far from being a barrier to international trade, had the opposite effect. Economic development undoubtedly altered the structure of trade but the total needs increased. Higher levels of living and greater spending power were bound to bring about a steady expansion of trade. It was not true, as had been claimed in certain quarters, that the industrialized countries benefited from keeping the under-developed countries in their backward state. If there had ever been any such motive, it was in the distant past and it did not activate the Members of the United Nations in approaching their responsibilities for promoting economic development.

26. It was in that spirit that his delegation hoped that the Council would continue its work to find an international solution to a problem which was of paramount importance to all countries.

27. Mr. SOBOLEV (Union of Soviet Socialist Republics) said that, under resolution 461 (XV), the Council had re-emphasized the need for the rapid industrialization of the under-developed countries. The long experience of industrialized countries showed that industrialization should be the basis for a country's economic development. In that connexion he thought that in its study of industrialization, the Secretariat should analyse existing conditions in the under-developed countries, indicate the positive results that could be obtained through industrialization, define the factors which could contribute to the industrial development of the under-developed countries and thoroughly examine the ways in which international co-operation, the development of international trade, technical assistance and so forth could assist industrialization.

28. The authors of the study (E/2670) had of course recognized the importance of industrialization in economic development, and had supplied data which deserved careful study. As the Indian representative had observed (841st meeting), however, the report was open to criticism. Its authors had certainly not ignored the obstacles to industrialization, and even seemed to think that some of them were insurmountable; that was a mistake. On the other hand, they rightly recognized that the rate of industrial development depended on the nature and extent of the obstacles in its way, and on the timing and efficacy of the measures taken to overcome them.

29. The statement on page 3 of the report that in some countries where domestic savings were the only source of capital it was impossible to increase savings without substantially reducing consumption was incorrect. The fact that *per capita* income was low in those countries was the basic reason for accelerating national economic development, which would permit an increase in the means of payment.

30. Another factor which should not be ignored was the importance of the terms of trade to the under-developed countries which depended on exports for most of the income which enabled them to buy abroad the equipment they required. The authors of the study in fact emphasized, not without reason, that the industrialization of the under-developed countries could be substantially assisted by the expansion of international trade. On that point, however, as also on the question of the terms of trade, they had put forward no new ideas and merely noted the existing situation. They had rightly pointed out that the International Bank for Reconstruction and Development had provided very little capital for the industrialization of the under-developed countries.

31. The authors of the study had taken an indefensible neo-Malthusian position in maintaining that the rapid growth of population was an obstacle to the industrialization of some under-developed countries.

32. He pointed out that the report gave no information about industrialization in the USSR and the peoples' democracies. The Soviet Government had always considered that industrialization was the basis of economic development and had therefore devoted particular attention to the expansion of the production of capital goods. The development of heavy industry had resulted in a corresponding rise in the people's level of living. In that connexion, he quoted a number of significant

figures relating to the increase in production and national income between 1913 and 1954.

33. The industrial policy of the USSR had made it possible to develop the resources of economically backward areas, which now had large industrial centres. Similarly, the Soviet Government, which attached great importance to the peaceful use of atomic energy, had in 1954 built the world's first atomic power-station in the Soviet Union. It had also decided to give other countries technical assistance to enable them to establish atomic research centres in their territories.

34. The gross national product of the People's Republic of China had quadrupled between 1949 and 1954. During the same period, the production of grains had increased by 50 per cent and the production of cotton by 180 per cent. The peoples' democracies of eastern Europe had also substantially developed their industry. Thus, Romania had developed electrical and agricultural machinery industries, and between 1938 and 1953 its steel production had more than doubled, while its coal production had doubled. In Bulgaria, there had been a considerable increase in industrial production during the same period, and Albania, which had formerly been an economically under-developed country with no means of transport, had succeeded in bringing its industry and agriculture into some kind of balance.

35. The development of the under-developed countries could be considerably facilitated by international co-operation. Such co-operation must be based on the idea of mutual aid and respect for the equality and independence of nations. Such were the principles which governed the USSR's relations with China, the peoples' democracies and a number of other countries. At the beginning of 1955, the USSR and India had signed an agreement under which the USSR had undertaken to build in a short time a steelworks in India with an output of one million tons a year, and to provide the necessary long-term loans for the purpose. The USSR had concluded commercial agreements with many countries, including for example Argentina and Afghanistan, that were advantageous to all the parties concerned.

36. As part of its expansionist policy, the United States of America had sought to impose restrictions and discriminatory measures on trade with the peoples' democracies. Such measures had hampered the sale of primary commodities on the international market and caused considerable fluctuations in prices. The resulting disequilibrium had reduced the income from exports of the under-developed countries producing raw materials. For those countries, however, that income was the principal means of financing economic development. It was understandable therefore that those countries should be deeply disturbed about the fall in the prices of raw materials and that they should be attempting to secure the adoption, at the international level, of measures to offset the inadequacy of the income they received from exports. Their efforts were, however, encountering opposition from the United States and certain other countries. In particular, it would be remembered that the United States had opposed the establishment of the Commission on International Commodity Trade and had refused to participate in the Commission's work when it had been established.

37. The Council should direct its main efforts towards facilitating the industrialization of the under-developed countries, helping to establish a fair relationship between the prices of raw materials and the prices of

manufactured products and promoting mutually advantageous trade between the under-developed countries and the rest of the world.

38. Sir Alec RANDALL (United Kingdom) said that he had been surprised that at a previous meeting the representative of Argentina had raised, in connexion with the Falkland Islands, a question which had no relation to the Council's agenda. The United Kingdom Government would merely state that it did not accept the claims of the Argentine Republic to a territory administered by the United Kingdom.

39. Everyone recognized the difficulty, complexity and importance of the problem of the economic development of the under-developed countries, and all the members of the Council were in some way concerned with the problem. The United Kingdom delegation wished to thank the Secretariat for the excellent documentary material it had provided, especially in its study on *Processes and Problems of Industrialization in Under-Developed Countries* (E/2670). The interested departments of the United Kingdom Government were studying the report; so concentrated and comprehensive a document demanded the most detailed attention. He would therefore make only a few preliminary observations.

40. The study should be of great assistance to Governments by reason of its general character; as for the many truisms which it undoubtedly contained, such statements were none the less true and necessary. Briefly analysing the contents of the study, he said that in his view, the authors had approached their task in a humane, prudent, impartial and comprehensive fashion. They had rightly emphasized that industrialization was not an end in itself but a means of raising average levels of living. They had thus shown the humane touch which economists had often been accused of lacking. They had also had a wide grasp of the essentials of the subject, as was clear from two passages (E/2670, pp. 1 and 119) illustrating what he would call the cautious and comprehensive approach.

41. The writers assigned capital importance to education, sound public administration and the efficient collection of statistics. It was made clear that the financial element was only one of the many which entered into the problem of industrialization of under-developed countries. The writers of the document clearly explained the difference between the European industrial revolution and what was aimed at today (E/2670, p. 120 ff.). But there was also a note of hope and even optimism in the statement that the under-developed countries could draw on the experience of the past to avoid the errors committed elsewhere. The United Kingdom, as a pioneer of industrialization, would share with others the experience which it had, sometimes painfully, acquired in that field.

42. At its twentieth session, the Council would consider in detail the external financing of economic development; the General Assembly would deal with it later. It would accordingly be more profitable for the Council to use the current opportunity for discussion of the steps which under-developed countries themselves should take for their own economic development. In that connexion, international organizations and the more industrialized countries would stand ready to give advice.

43. The planning and development which had taken place in United Kingdom dependent territories in

recent years would no doubt be of interest in that connexion. Those territories had experienced all the problems discussed in the second chapter of the study (E/2670). In order to overcome them it had been necessary to raise productivity in existing industries and to diversify the economy of the territories. Agriculture had by no means been neglected. On the contrary, a very great deal of work had been done on agricultural development in accordance with the principles set out in the study before the Council. He drew particular attention to the need for agricultural development and also to the many sound observations on page 18 of the study. Her Majesty's Government had supported the introduction of new industries into dependent territories. A wide variety of legislative and administrative measures had been taken to ensure that those industries would have a sound basis which would enable them to prosper without permanent protection from competing imports. The most widely used form of State aid had been financial assistance, but it had always gone hand in hand with educational and social developments.

44. In order to provide a stimulus to private investors, special concessions of various types had been given to investors in new industries and the Governments of the territories had themselves provided part of the funds necessary to get an industry going. The most common concession took the form of exemption from taxation on profits for a period of a five years granted to firms classed as "pioneers", operating in a pioneer industry. That was the practice in the West Indies and in West Africa. In East Africa a licensing system

enforced the grant of exclusive manufacturing licences for a specific period. Favourable allowances were given for depreciation; machinery and materials required for a new industry were admitted into territories free of import duty. Again, public money had been provided through statutory companies or through corporations financed by public funds.

45. In Jamaica, the Government had established an industrial estate which would have electric power and water, leases being granted at nominal rentals. In Singapore also, a large area had been zoned for an industrial site.

46. Those few examples showed that in the United Kingdom territories considerable progress had already been achieved in that field. Many of them already had a reasonably diversified economy although some of the industries were still on a small scale. The process was cumulative, one improvement leading to another. He would emphasize that in all the territories there was a growing awareness of the importance of technical education, a subject the importance of which had been rightly stressed by the authors of the study.

47. He had referred to the United Kingdom territories in order to underline that the problem of economic development was one of direct concern to all members of the Council. All could and must learn from each other's experience. The United Nations provided the opportunity to pool experience and to avoid the repetition of mistakes. The study, to whose authors he paid a tribute, was a valuable step in that direction.

The meeting rose at 12.45 p.m.