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**Chairman:** Mr. Mohammad MIR KHAN (Pakistan).

*In the absence of the Chairman, Mr. Lychowski (Poland), Vice-Chairman, took the Chair.*

**AGENDA ITEM 27**

**Economic development of under-developed countries (A/3154, A/3192) (continued):**

**(c) Industrialization of under-developed countries (continued)**

1. Mr. PSCOLKA (Czechoslovakia) said that his delegation had always held the view, expressed in Economic and Social Council resolution 560 (XIX), that industrialization was essential for rapid economic and social advancement in under-developed countries. By industrialization it understood the building up of key branches with, of course, due regard to local conditions and resources. It saw economic progress primarily as the increasing of the productivity of labour through the introduction of advanced techniques and modern production methods. Labour productivity was low in the under-developed areas of Asia, Africa and elsewhere precisely because of the delay in industrialization caused by colonialism. Industrial development and high labour productivity went hand in hand, as everyone knew, even those who sought to oppose the industrialization of the less developed countries and to belittle the industrial achievements of the countries with centrally planned economies.

2. The main emphasis in the process of industrialization should of course be placed on development of heavy industry, but it was important not to stress the need for capital accumulation at the expense of consumption. A proper balance between the two aspects must be preserved so that, as production in general increased, the standards of living of the people also rose. At the same time agricultural production must of course keep pace with industrial production. On the other hand, consumption must not be allowed to rise at a faster rate than production growth or at a rate equal to that of capital accumulation.

3. Czechoslovakia had been fortunate in emerging from the Second World War with an advanced and relatively unimpaired economy. Industrial development had consequently proceeded at a good pace ever since, a smooth and continuous supply of raw materials being assured by the Soviet Union. The total volume of

Czechoslovakia's industrial production today was some two and a half times greater than in 1937; in 1955, its output of steel, coal, iron and cement had compared favourably with those of France, the United Kingdom and the Federal Republic of Germany. Czechoslovakia's *per capita* production of some of the principal consumer goods, such as shoes and textiles, also compared favourably with production in the United Kingdom and the United States.

4. It had some way to go, however, to catch up in the production of certain durable consumer goods and of, for instance, passenger cars, trucks and tractors. Although the first five year plan had given a considerable impetus to the national economy, in the latter part of the period there had been a lag in the production of fuel and power and in the development of agricultural production, which had naturally affected the rate of improvement in the living standards of the people. In the past two years his country had therefore concentrated on eliminating those defects and had met with considerable success, which was reflected in the growth of domestic consumption as a result of price cuts and higher wages. During the period of the second five year plan, to be carried out between 1956 and 1960, it was hoped to bring Czechoslovakia's *per capita* production level even nearer to that of the most advanced capitalist countries. It was intended, for instance, to increase gross industrial production by at least 50 per cent; the production of capital goods would increase by 57 per cent and that of consumer goods by 40 per cent. Further attention would also be given to agriculture. Productivity would be increased by the use of the most modern techniques and equipment and by the decentralization of management. Czechoslovakia thus hoped to develop a prosperous and well-balanced economy and to prove that the socialist system could permit economic construction and at the same time the production of mass consumer goods at a rate comparable with that prevailing in the most advanced capitalist countries.

5. Czechoslovakia sympathized with the efforts of the under-developed countries to establish and build up their industries because it knew from its own experience that that was the essential prerequisite of general economic advancement. His delegation was interested in any United Nations activities intended to promote productivity and the rate of industrial growth in those countries. In that connexion he would submit that, being primarily agricultural, they should concentrate on the development of the processing industries and of their power resources, upon which other branches of industry depended. His delegation approved of the various studies recommended in the Secretary-General's report to the twenty-second session of the Economic and Social Council (E/2895), while recognizing that they were purely preliminary. It whole-heartedly supported the proposal for the establishment of the Special United Nations Fund for Economic Development

(SUNFED) and for the creation within the United Nations of a special organ to deal with problems of industrialization. Such bodies could, it was convinced, be of great practical assistance to the under-developed countries. The Economic and Social Council and the regional commissions should do more to help provide the under-developed countries with modern techniques and technical facilities. Czechoslovakia was ready to do all in its power to assist them by providing and installing industrial plants and power stations, furnishing technical information and experts, and training national personnel. It would support any practical measures to facilitate the solution of the industrialization problems of the under-developed countries and to help them make the best use of the experience they had so far gained in that respect.

6. Mr. MARIN PAREJA (Bolivia) said that the process of industrialization in the under-developed countries was part of the over-all process of economic development. If it was to be carried out rationally from the economic point of view, it must be operated on a relatively large scale and certain prior conditions must be fulfilled. By industrialization he meant the development of the medium and heavy manufacturing industries but not the light and cottage industries and handicrafts which, while they had their own importance in countries in the early stages of economic development, had no decisive effect on the economic transformation which those countries had to undergo in order to achieve adequate and reasonable levels of living.

7. Industrialization financed by private capital was possible only if two groups of conditions were satisfied. In the first place, conditions must be such as to justify the establishment of the industry concerned and, in the second, conditions must be such as to assure the maintenance and development of the industry. Those conditions could be met only if a country's economic and social infrastructure was adequately developed. One of the conditions of the first group was that adequate sources of power, particularly electric power, should be available. Another requirement was that there should be adequate means of communication for delivering raw materials and semi-finished products to factories, and for distributing and marketing finished goods. So far as the second group of conditions was concerned, apart from general economic conditions in regard to the raw materials supply and technical facilities, one factor of great importance was the low levels of consumption and *per capita* income in the under-developed countries. Investors were naturally reluctant to invest in industries in an area where consumption was low. If an industry were established in such an area, the small demand would limit the scale of operations and consequently raise costs; the industry would thus be uneconomic as compared with large-scale producers elsewhere. The problem would be solved if the under-developed countries could expand their exports and sell them at remunerative prices. Unfortunately it was difficult for them to do so because of the import quotas for certain primary commodities maintained by the industrialized countries and the instability of the international market, in which the prices of raw materials lagged behind those of manufactured goods.

8. Another chronic affliction of the economically under-developed countries was the constant deficit in their balance of payments. They were moreover obliged to expend their limited foreign currency earnings on urgently needed consumer goods, so that funds were not available to import capital goods in anything like

the necessary quantities. The under-developed countries therefore required foreign capital for their industrial development programmes and, as private investors were interested only in profit-making enterprises, public capital had to be sought to finance infrastructural projects. Consequently the establishment of SUNFED would be the most effective means of increasing the productivity of the under-developed countries, thus ensuring a fairer distribution of world income.

9. Mr. CHAUVET (Haiti) said that the industrialization of the under-developed countries was the most challenging problem of modern civilization, and the Committee must make every effort to find a really practical solution. Failure to do so would lend colour to the view that the highly industrialized countries were unwilling to abandon their privileged position and to encourage the industrial emancipation of the under-developed countries.

10. The first task was to imbue the younger peoples of the world with a spirit of enterprise and help them secure a labour force with the necessary industrial discipline. If given a proper lead they would respond. They realized the urgency of making up lost ground and wanted action on a large scale. The United Nations had the immense task of bringing their needs before the world and of securing the effective co-operation of the more prosperous countries.

11. Although there were many ways of assisting the under-developed countries—grants, loans, technical assistance, scholarships, long-term investments, *et cetera*—his delegation wished to repeat a suggestion for a credit plan which it had outlined at the 195th meeting of the Committee during the seventh session of the General Assembly. Under that plan experts of the United Nations and the specialized agencies, in co-operation with the competent services of the under-developed countries, would study in detail modernization and development projects and plans to establish new industries. The various United Nations organs were in a position to estimate to what extent a given project would be worth while. Once a project was approved, the nationals of the under-developed countries, by themselves or in collaboration with foreigners, would establish companies to carry it out. They would first concentrate on financing the construction of factories and on purchasing the necessary capital equipment with national currency. The funds necessary for purchasing imported equipment would be requested, in whole or in part, from the International Bank for Reconstruction and Development or any other international financing corporation established for the purpose.

12. The Bank or any other similar agency would guarantee the payment of interest and amortization on the funds, equipment or goods lent; the recipient country would pledge collateral security. As credit would be extended on a medium or long-term basis, the guarantee would initially apply only to annual interest and amortization. The amount due each year would thus be relatively small. A percentage of the income from the enterprises so financed would be used to pay interest and amortization until the debt was repaid. Such payment would be supervised directly or indirectly by the Bank, the International Finance Corporation or the Government of the under-developed country.

13. If the plan failed, the agency assuming financial responsibility could sell the enterprise or operate it

for its own benefit, and would also be responsible for paying interest and amortization. But the Government which had studied the profitability of the enterprise and had come to an agreement with the national promoters and United Nations experts would, in the last resort, be responsible for paying interest and amortization on the unpaid part of the debt. If, on the other hand, the enterprise proved profitable, amortization of the debt would be assured, the enterprise would continue to operate without difficulty, and the guarantees would not come into play.

14. He again urged the Committee to give consideration to that plan, which could facilitate the industrialization of the under-developed countries through the collaboration of international organizations and private bodies. The crucial importance of such action need not be emphasized; four-fifths of the world's population were living in sub-standard conditions which in many cases had already given rise to dangerous political tensions. If the Member States were genuinely prepared to collaborate in helping to relieve their plight, the practical problems of industrialization could easily be solved. All that was needed was the determination to establish a proper balance between the privileged and the under-privileged countries. The extent of the assistance was less important than the manner in which it was given.

15. Mr. WAHLUND (Sweden) said that for the purposes of industrialization the under-developed countries needed large-scale investments which were not readily forthcoming either from national or international sources. It was also questionable whether any new industries established in such countries could compete with those which had existed in the more developed countries for a century or more. In any case, the Secretary-General should conduct further studies with

the help of additional systematic research by the regional economic commissions.

16. It might be asked whether, in existing conditions, greater efforts should not be made to improve the agricultural output of the under-developed countries. The New Zealand representative had shown how a country could achieve a high level of development while still retaining a predominantly agricultural economy. While agricultural development could of course require large-scale capital investment for irrigation and similar projects, simpler schemes such as the introduction of better varieties of seeds and chemical fertilizers could often yield beneficial results with a smaller outlay.

17. In many under-developed countries, as a result of rapid population increases, food and work had to be shared among too many people. It was therefore important to solve the problem of under-employment, a phenomenon that was often of a seasonal nature, especially in non-irrigated areas. In that respect the development of cottage industries could be of great help, as it would enable under-employed agricultural workers to increase their earning power. Such industries often prospered more in the under-developed countries than in the more advanced ones.

18. The problem of industrialization was closely related to that of urbanization. A villager who left the country to work in a large industrial concern might well enjoy a better standard of living, measured in purely material terms, but it was not certain that his conditions of life as he himself saw them would improve. The Committee should give due consideration to problems of urbanization in its efforts to find ways and means to promote industrialization in the under-developed countries.

The meeting rose at 12 noon.