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Chairman: Mr. Mohammad MIR KHAN (Pakistan).

AGENDA ITEM 27

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

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

1. Mr. CHERNYSHEV (Union of Soviet Socialist Republics) said that the question of the industrialization of under-developed countries rightly occupied an important place in the work of the United Nations; it was a matter of the greatest urgency and of foremost concern for all countries of the world.

2. The importance of industrialization had been stressed by many delegations. In the view of his delegation, it was at the very basis of economic development. The rate of industrialization determined the levels of production and consumption; it was the decisive factor governing activity in the other sectors of the economy such as building, transport, etc., and it determined the position of a country on world markets.

3. He wished to submit certain observations concerning his own country's economic development, not for propaganda purposes but from a simple concern for truth. In the Soviet Union production was plentiful owing to the rapid expansion of equipment in accordance with the Socialist laws on the development of production. The Soviet Union had no intention whatever of imposing any economic system on anybody—every nation was free to choose the production methods which suited it best—but, after the many unjust remarks made in Committee concerning the Socialist countries, he wished to emphasize certain facts which eloquently showed the true value of Socialist methods.

4. If 1929 was taken as the base year, the index of industrial production had risen to 2,049 by 1955 in the Soviet Union, as compared with a rise to an average of 193 for the capitalist countries as a whole, 234 for the United States and 181 for the United Kingdom. According to an article by Mr. Raskin published in *The New York Times* of 20 January 1957 on a study by Mr. Seymour Melman, the economists of the capitalist countries admitted that production in the Soviet Union was rising more rapidly than in the United States—twice as fast, according to Mr. Melman's study,

5. Before the October revolution, the Russian economy had lagged behind that of the other countries, but five successive five year plans had closed the gap. The Soviet Union was now making full use of all its productive forces in industry without, however, neglecting the development of its agriculture, which was at a very advanced stage. Far from causing a decline in levels of living, the industrial policy of the Soviet Union had promoted their rise; every citizen now enjoyed the fruits of his labour to a larger extent than in former times, despite the action taken by certain countries to hamper progress in the Soviet Union, which had been compelled to carry out industrialization by its own efforts without any help from abroad. That policy of industrialization had enabled the Soviet Union in the Second World War to assert its national independence by a brilliant victory. Lastly, the future of Soviet economy was assured through the sixth five year plan.

6. He was pleased to note that a number of under-developed countries had initiated industrialization programmes. Unfortunately, they were confronted with serious difficulties. The report published by the Contracting Parties to the General Agreement on Tariffs and Trade (GATT) under the title *International Trade 1955*, noted that exports of capital goods to under-developed countries had declined: in the case of the United States the value of such exports had fallen from \$1,505 million in 1952 to \$1,489 million in 1955. The United Nations should assist the industrialization of under-developed countries by every means. Despite their difficulties, those countries had obtained appreciable results. The Economic Commission for Asia and the Far East reported an increase in industrial production in most of the countries in the region for 1955. In the Latin American countries industrial production had increased by 28 per cent during the period 1950 to 1955.

7. Those who still disputed the value of industrialization for the under-developed countries were very old-fashioned in outlook. They were, in fact, seeking to prevent the under-developed countries from advancing along the road they had chosen. It was regrettable that even studies initiated by the United Nations had expressed some doubt concerning the benefits of industrialization for such countries. Several representatives had asserted in the Committee that industrialization would lead to a decline in levels of living. That view was shared by some economists of the Western countries who held that economic development should be promoted in agriculture, transport *et cetera*, but not in industry. In particular, the development of heavy industry was held to be dangerous, to be within the capacity of certain countries only, and even there only in the remote future. According to that thesis, industrial development should proceed slowly and by stages, following the natural evolution of the economy. The example of many countries, particularly the Soviet

Union, should be sufficient proof that the creation of a heavy industry was the best means of ensuring a country's economic development and independence.

8. During the general debate certain representatives had spoken of the excessively slow rate of foreign capital investment, and particularly of investment from the United States, in the under-developed countries. He, for his part, did not share their misgivings. Foreign investors clearly wanted above all to obtain maximum profits, and hoped eventually to acquire complete control of certain branches of the economy by means of direct investments. Thus, instead of being a source of funds, foreign investments often resulted in a reduction of national resources. In illustration he cited figures relating to United States investments published in the *Survey of Current Business*, August 1956 (pp. 15 to 22). It should not be concluded, however, that the Soviet Union rejected the principle of capital investment in under-developed countries. It considered that national resources should form the basis of economic development and that foreign capital could not be more than a supplement, acceptable only if no economic, military or political conditions were attached.

9. Among the obstacles to economic development, the armaments race in the Western countries must be singled out for particular emphasis. If it were ended, it would be possible to ease the tax burden weighing so heavily on the working classes, to raise the level of employment and the levels of living, and increase assistance to the under-developed countries.

10. It was the duty of the United Nations to help the under-developed countries to establish their own industries; indeed that was one of the fundamental tasks of the Organization. Some progress in that direction had been made at the twenty-second session of the Economic and Social Council. His delegation unreservedly supported the establishment of a special body to deal with the question of industrialization. Such a body could direct and co-ordinate all activity in that field. The industrialization of the under-developed countries was fraught with serious difficulties.

11. The Soviet delegation felt that a world economic conference could study the international action necessary to enable the under-developed countries to ensure the independence of their economies. Such a conference might examine from a practical point of view the measures to be taken in order to provide financial aid to the under-developed countries, to furnish them with capital goods and to organize the training of personnel. It could hasten the establishment of the Special United Nations Fund for Economic Development (SUNFED), and could help in the field of industrialization and act as a co-ordinating body.

12. In conclusion, he was convinced that the joint efforts undertaken within the framework of the United Nations to assist the industrialization of the under-developed countries would contribute not only to the promotion of economic development throughout the world but also to the reduction of international tension.

13. Mr. DI BERNARDO (Italy) said that even the most ardent supporters of the international division of labour no longer accepted the thesis that industrial production should be concentrated in a small number of already highly-industrialized countries, while the other countries—which constituted the great majority—produced only foodstuffs or raw materials. On the contrary, it was now generally admitted that prompt and reasonable solutions must be devised for the problems

raised by the industrialization of under-developed countries and by their need to diversify their economies in order to escape the dangers of relying on one or even a few crops. Such solutions should be reasonable because, as had too often been the case, serious mistakes were made when Governments allowed themselves to be carried away by the desire for super-industrialization at too rapid a rate, by what might be called "the mystic of the power-hammer". The same mistaken attitude often also led them to show a quite irrational preference for heavy industry over light industry.

14. The Japanese representative, in his admirable speech (420th meeting), had said how important it was to ensure the harmonious development of an economy, and what grave economic and social consequences unbalanced industrialization might have. Italy had learned that lesson to its cost when it had attempted to accelerate its economic and industrial development by resorting to autarky and protectionism instead of relying on the progressive diversification of its economy. More than one country with a once flourishing agriculture had now been reduced to food rationing through attempting artificially to force the tempo of industrialization. If experience were to prove profitable, it would seem that the lesson to be drawn from the still-recent past was the following: successful industrialization was one which ensured the natural growth of industries which were viable without protection in a competitive market and which laid the economic foundations for economically profitable industrial projects.

15. His delegation had examined with interest the projects which the Secretary-General proposed to undertake (E/2895) pursuant to resolution 597 (XXI) of the Economic and Social Council, and in general it considered that the subjects chosen bore on varied fields which were mutually complementary. It regretted, however, that priority had not been given to a study of the relationship between industrialization and agricultural development dealt with in paragraphs 122 to 127 of the Secretary-General's proposals for a programme of work on industrialization and productivity (E/2832). The subject was all the more important since the Committee was considering the possibility of establishing a world food reserve and the draft resolution presented by the United States delegation (A/C.2/L.297/Rev.1) contemplated the establishment of national food reserves for the purpose, among others, of promoting the economic development of under-developed countries. An excessively rapid rate of industrialization might well accentuate the disparities between the different sectors of the economy, and the increased difficulties which would ensue might in turn impede industrial development. For the same reasons, another study which should receive priority was that of the effects of the industrialization of under-developed countries upon the structure and volume of their foreign trade and balance of payments (E/2832, paras. 128 to 134). Both those subjects were important and timely, and his delegation hoped that they would be studied in the near future.

16. His remarks should not be construed as neglecting the aspirations of the less developed countries anxious to improve their economic situation rapidly. Italy not only understood such aspirations, but regarded their fulfilment as the fundamental condition for its own progress. Nevertheless his delegation had felt it necessary to counsel caution, lest mistakes be made or repeated that were capable of retarding or even impeding economic development and of increasing its cost.

17. Mr. RAJAPATHIRANA (Ceylon) said that only a small number of under-developed countries had taken part in the debate; the reason was not that they were indifferent to the question of industrialization but that small delegations found it hard at times to take an active part in the proceedings of several committees simultaneously. There was also another reason for their silence. Contemporary political and economic thought acknowledged in principle that world progress was possible only if economic prosperity was shared. Assistance to under-developed countries was therefore a means by which the advanced countries could maintain their own standard of development. He had been glad to hear that opinion expressed by several speakers. He also wished to associate himself with the numerous representatives who had praised the decisions of the Economic and Social Council and the Secretary-General's report concerning priority projects and organizational arrangements (E/2895) to carry out the programme of work on industrialization and productivity.

18. In economically under-developed countries, the real *per capita* income could attain an adequate level only if there was a balanced development which guaranteed the efficient use of all human and physical resources in both industry and agriculture. Some years earlier, it had been thought in certain circles that the industrial development of the under-developed countries might be prejudicial to the advanced countries. Fortunately that view no longer had any supporters; it was even freely admitted that, thanks to the increase of real *per capita* income in consequence of industrialization, the potential demand would tend to increase the volume of international trade and thus prove profitable to all countries.

19. The progress registered by Canada in the past ten years offered striking proof of the way in which a young agricultural economy could be profitably industrialized, thus bringing about a tremendous increase in the national income. Of course, not all countries were so favourably situated as Canada, either with respect to geography or—which was much more important—with respect to natural resources. The small under-developed countries, therefore, would necessarily have to plan their economic development along different lines if they wished to avoid serious mistakes. For that reason his delegation welcomed the plans and proposals of the Secretary-General and the Economic and Social Council. It noted with great satisfaction that a number of projects would be started at an early date—1957-1958—for the reasons set forth in document E/2832.

20. He commented briefly on two of those projects. One concerned the construction industry, the other the special problems of small-scale industries. With respect to the former, it was well known that in under-developed countries the construction industry had to make a special effort in periods of rapid economic development. However, new construction techniques did not reach those countries soon enough to be used effectively; moreover, they had to be adapted to local conditions before they could be successfully employed. It was therefore indispensable that technical studies be prepared on that subject.

21. The construction industry played an important part in all countries because of the increasing overcrowding of existing housing facilities. However, in under-developed countries that pressure was stronger than anywhere else, because the available resources were applied to more remunerative enterprises than housing construction. Therefore, since Governments had to cope with demands from all sides for assistance in urgent projects of economic development, they had to accept responsibility for projects which private enterprise was not financing as much as it should.

22. Moreover, the construction industry exercised an influence on the development of a country as a whole, for, if its methods were efficient, it would ultimately reduce the capital cost of economic development. He was therefore anxious to learn what recommendations were to be made concerning the means of improving the processes of production and the equipment of the building industry in under-developed countries and of adapting them to local conditions.

23. The second project, which concerned the special problems of small-scale industries, was of interest to many under-developed countries—Ceylon in particular—which had been engaged in developing agriculture for a long time, but had to diversify their economies in order to ensure balanced growth. It was therefore necessary to study without delay the problems of small-scale industries and to determine how human and physical resources could be employed to the best possible advantage.

24. The delegation of Ceylon noted with satisfaction that the organizational arrangements for carrying out the programme included co-ordination with the specialized agencies, and sincerely hoped that the agencies and Governments would co-operate fully and actively in the projects.

The meeting rose at 4.10 p.m.