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Chairman: Mr. Moraiwid M. TELL (Jordan).

AGENDA ITEM 41

Activities in the field of industrial development (A/6433):

b) Report of the Ad Hoc Committee on the United Nations Organization for Industrial Development (A/6229, A/6303, chap. IV, sect. IV; A/6368, A/6369, A/6415, A/6468, A/6473, A/6474, E/4203, chap. XII; A/C.2/L.863 and Corr.1)

1. Mr. FERNANDINI (Peru) said that, as the report of the Ad Hoc Committee on the United Nations Organization for Industrial Development (A/6229) had pointed out, the differences of view on both economic and political matters within that Committee had made its task a long and difficult one and the text of the draft resolution adopted by the Ad Hoc Committee for transmittal to the General Assembly (A/C.2/L.863 and Corr.1) represented a delicate balance of views which left no room for modifications, except on minor points of detail. The reservation contained in paragraph 12 of the report demonstrated how dangerous it would be for any regional group to upset the balance and destroy the basis for agreement that had been so painfully worked out.

2. The preamble of the draft resolution made it clear that the primary object of the United Nations Organization for Industrial Development (UNOID) was to accelerate the industrial development of the developing countries. Section I defined the status of UNOID within the United Nations in accordance with General Assembly resolution 2089 (XX). Section II, operative paragraph 1, described the purpose of the Organization, and a detailed analysis of its functions, which were to include both operational activities and action-oriented studies and research programmes, was given in operative paragraph 2. Detailed provisions on the composition and functions of the Industrial Development Board were contained in operative paragraphs 3 to 13; the decision that the Board should have forty-five members represented a compromise.

3. The new Organization would have a permanent secretariat, headed by an Executive Director (paras. 17-19), and its expenditures would be classified as either expenses for administrative and research

activities or expenses for operational activities, the former to be borne by the regular budget of the United Nations, which would make separate budgetary provision for them (paras. 20 and 21). Operative paragraphs 22 to 24 dealt with the various ways in which expenses for operational activities were to be met; the system for voluntary contributions was extremely flexible, and it was to be hoped that it would be approved without further controversy.

4. The Ad Hoc Committee had borne in mind the need for UNOID to make the most effective possible use of its limited resources and therefore to avoid detracting from or duplicating the work of other organs and agencies. The draft resolution accordingly contained detailed provisions for co-ordination, in which UNOID would play the central role (paras. 27 to 36) and for any institutional changes which might subsequently prove to be necessary (para. 37).

5. The draft resolution represented not only a triumph for the developing countries but a recognition of their needs by the industrialized countries and it was his delegation's hope that it would be adopted unanimously.

6. Mr. FRANCO BRAVO (Colombia) said that UNOID was not the specialized agency which the developing countries were still hoping for, but it would certainly accelerate their industrialization and provide the necessary nucleus for co-ordinating the activities of all international bodies concerned with industrial development.

7. He pointed out that his delegation was interested and had taken part on several occasions in the efforts made to bring about the establishment of UNOID.

8. There were five matters to which UNOID should assign high priority. The first was assistance in the preparation and analysis of pre-investment studies; the developing countries found it extremely difficult to secure the necessary expert evaluation of feasibility studies and of their own industrial promotion machinery.

9. Secondly, UNOID should give special emphasis to the setting up or expansion of technical research institutes which were so important for harnessing natural resources. It should, moreover, encourage the establishment of industrial productivity centres in developing countries to enable them to make the most efficient use of their meagre resources. The assistance UNOID could provide in connexion with the establishment of specific complementary industrial units would be of special importance to countries which were parties to agreements on regional integration, since such arrangements normally involved agreements on complementarity between the industries of the countries concerned. Consequently, the

assistance of UNOID would be of great importance in choosing among those industries; the Governments of Chile, Colombia and Venezuela, for instance, had made provision for such agreements in the Declaration of Bogota (A/6410).

10. Lastly, the assistance UNOID could give in the formulation of industrialization policy in the developing countries would be of vital importance in ensuring that the relative merits of sites, and the availability of manpower and natural resources were properly assessed, and due weight given to such factors as inflation and balance-of-payments deficits. All those aspects should be covered before UNOID concerned itself with vocational training, which was, in any event, being provided by another United Nations body.

11. His country's industrial development was going through a difficult phase: the success of its earlier programmes had resulted in heavier domestic demand and a consequent need for new basic industrial projects, which were difficult to undertake because of the shortage of foreign exchange. It therefore urgently required the kind of co-ordinated assistance which could be provided by UNOID and the United Nations Conference on Trade and Development.

12. His delegation supported the draft resolution of the *Ad Hoc* Committee on UNOID and was prepared to withdraw its reservation (see A/6229, para. 12) on the understanding that the composition of the Trade and Development Board as proposed in the draft resolution, would be maintained. It could not, however, undertake to support any amendments, except in regard to the provisions relating to training in operative paragraph 2 (a), (ix). He appealed to all delegations to maintain the spirit of compromise which had led to the adoption of General Assembly resolution 2089 (XX) and made a special appeal to the developed countries to support and strengthen UNOID by their generous contributions.

13. Mr. FRANZI (Italy) said that, from the outset, the United Nations had neglected the problems of industrial development. The Committee for Industrial Development and the Centre for Industrial Development had done their best, through lack of resources, they had been unable to fulfil their mandates. Efforts to remedy the situation and to found a new organization had culminated in the adoption of General Assembly resolution 2089 (XX), which was the basis of the draft resolution before the Committee.

14. His delegation had not expressed any formal reservations in the *Ad Hoc* Committee on UNOID, but it still felt that the text of the draft resolution could be improved. He hoped that the Second Committee would study it further and make the necessary amendments. While such amendments should be kept within well-defined limits, it seemed advisable for delegations to state their views on UNOID's operations, its specific aims, financial resources, secretariat and main organs.

15. The functions of the new body were set forth in operative paragraph 2 of the draft resolution. While they were described in great detail for the operational activities, for study and research programmes they were outlined much more generally.

Faced with such a broad programme, UNOID must concentrate on operational and technical sectors, direct assistance to Governments and the complete integration of its operational and research activities.

16. One of UNOID's prime functions would be to act as a catalyst in mobilizing external resources on a rising scale for industrialization. At the same time, it must work closely with the other members of the United Nations family and fill the gaps in their activities. It must have a small, flexible, highly-qualified secretariat supplemented for operational or research activities by outside consultants. The structure of the secretariat should be trapezoidal rather than pyramidal, with some 30 per cent of basic staff, 30-35 per cent of intermediate staff and at least 35-40 per cent of highly-qualified staff, the latter in charge of the different departments. It should be modelled not on the example of other secretariat bodies, including those which had recently been set up, but on a firm of consultants. His delegation would like to see a "brain trust" which would give to the complicated industrialization machinery of the developing countries the necessary rhythm and co-ordination.

17. The draft resolution clearly specified that the operational activities of UNOID would be financed by voluntary contributions, while its administrative expenses would be met from the regular budget of the United Nations. In other words, it would continue the practice already followed for special industrial services. The activities of UNOID would be supplementary and complementary to those of other organs. His delegation attached importance to the manner which would be chosen for the pledging of voluntary contributions. In that respect, it was unnecessary to change the relevant paragraphs in the draft resolution.

18. His delegation fully supported operative paragraphs 3 and 4 setting out the composition of the Industrial Development Board and hoped that no amendments would be proposed to them.

19. The General Assembly should adopt the text of the draft resolution as soon as possible so that the new Organization could begin work immediately. Rapid consultations must be held among the regional groups so that the Executive Director could be nominated as soon as possible and confirmed by the General Assembly. His delegation hoped that the first session of the Industrial Development Board could be held at the end of January 1967 after the Governing Council of the United Nations Development Programme (UNDP) had completed its work.

Mr. Boiko (Ukrainian Soviet Socialist Republic), Vice-Chairman, took the Chair.

20. Mr. MUZIK (Czechoslovakia) said that the establishment of UNOID was an event of extraordinary significance. The new Organization should become a centre for international co-operation aimed at accelerating the industrialization of the developing countries, on the one hand, and the exchange of experiences among all countries interested in industrial development, on the other. While the industrialization process was determined in part by the particular social, economic, political and other conditions prevailing in the country concerned, any country with experience of industrialization could, if it wished to

do so, share it with the countries which were now going through that process. In the modern world no country could keep pace with others in all phases of industrial production without an exchange of experiences.

21. Czechoslovakia's industrial production had increased fivefold between 1937 and 1965. Socialist industrialization had brought about significant structural changes in the Czech economy by strengthening the role of heavy industry, particularly engineering. It had also helped Czechoslovakia to solve a problem very similar to the one faced by developing countries, namely, the economic backwardness of such areas as Slovakia. Industrial enterprises were now fairly equally distributed throughout the territory of the Republic. Those changes in the national economy had also had a marked effect on the structure of Czechoslovakia's foreign trade. Machinery, which had accounted for 6 per cent of exports before the war, had risen to 47 per cent by 1964. The export of engineering equipment to developing countries had been growing rapidly in recent years and now totalled 50 per cent of all exports to the developing countries. Of particular importance was the export of complete plants and technological units, not less than 1,000 of which had been built by Czechoslovak enterprises in fifty-six countries in the ten years preceding 1963. Recently, Czechoslovakia had been, in some cases, accepting payment in goods for machinery and equipment delivered on credit; that arrangement should help countries which were interested in bringing about structural changes in the international division of labour from the field of trade into that of production.

22. Czechoslovakia had supported from the outset the idea which had led to the establishment of UNOID. However, it was not fully satisfied with the draft resolution adopted by the Ad Hoc Committee because the Organization should be open to all countries which wished to participate and should promote both the industrialization of the developing countries and the exchange of experience among other countries. Paragraphs 3, 13, 16, 22 (a) and 26 were contrary to the principle of universality and their effect would be to exclude, for example, the German Democratic Republic, one of the world's most highly industrialized countries. Furthermore, his delegation felt that co-operation in the training of staff needed for accelerated industrial development should not be limited to certain countries. Yet operative paragraph 2 (a), (ix) would have that effect, and was, moreover, at variance with paragraph 27 which stated that UNOID should play the central role in reviewing and promoting the co-ordination of all activities of the United Nations system in the field of industrial development, which would also include institutions whose scope of activities was substantially broader. He recalled in that connexion that the last preambular paragraph of General Assembly resolution 2089 (XX) had explicitly taken note of "the widespread desire for a comprehensive organization for industrial development".

23. He reiterated the view, expressed in one of Czechoslovakia's reservations (see A/6229, para. 12), that part of the staff of the Resources and Transport Division of the Department of Economic and Social Affairs concerned with energy and the exploitation

and efficient use of natural resources should be transferred to UNOID. He also drew attention to another reservation made by Czechoslovakia in which the view was expressed that it was not necessary to convene a special pledging conference.

24. The new Organization should be responsible for co-ordinating all the industrial development activities of the United Nations system, but industrial development was only one part of the problem of over-all economic development, which was the province of the Economic and Social Council.

25. The decision of the site of UNOID headquarters would have to take into account a number of factors, the most important of which were the possibility of access to all interested delegations and the effectiveness, at minimum cost, of the work of the secretariat and of UNOID conferences.

26. In conclusion, he drew attention to the amendments (para. 9) which Czechoslovakia, together with three other socialist countries, had submitted to the draft resolution in order to bring about a solution to its shortcomings.

27. Mr. HOGENDORP (Netherlands) recalled that his Government, as a member of the Economic Commission for Asia and the Far East and the Economic Commission for Latin America, had participated in the work of the regional symposia on industrial development held at Manila and Santiago. In preparation for the proposed International Symposium on Industrial Development it had set up, in the Netherlands, working groups composed of scientists, industrialists and government officials which were preparing papers setting forth views on industrial development in developing countries. Those papers would be his country's contribution to that highly important symposium.

28. His delegation realized that the draft resolution adopted by the Ad Hoc Committee on UNOID was by no means perfect, but it had not submitted amendments because it had found that in many cases textual shortcomings such as those in the report were overcome in the course of day-to-day experience. He would like, however, to repeat the view which he had expressed in the Ad Hoc Committee to the effect that the definition "operational activities" could be improved. That expression traditionally related to direct assistance to Governments in the field. The operational activities referred to in the draft resolution, however, related to more general activities which should therefore be financed from the regular budget rather than from voluntary contributions.

29. With regard to financial arrangements, he recalled the statement made by his delegation to the 1966 United Nations Pledging Conference on the United Nations Development Programme^{1/} concerning the contributions made by the Netherlands in 1965 and 1966 for industrial projects to be executed jointly by UNDP and the Centre for Industrial Development on the understanding that the amounts in question would be available for use in addition to, rather than as a substitute for, funds which UNDP would in any case spend on industrial development activities. Those con-

^{1/} Document A/CONF.33/SR.1.

tributions attested to the importance which the Netherlands attributed to the work of the United Nations in promoting the industrialization of the developing countries. At the same time his delegation was conscious of the need to avoid dispersal of effort and maintain a unified approach to development problems. For that reason, the Netherlands took the position that from 1967 onwards UNDP should be the principal source of financing for industrial development projects, and it had increased its UNDP contribution for 1967 by 25 per cent.

30. Mr. NEDIVI (Israel) said that, in creating another autonomous organization, the United Nations faced new problems of co-ordination, as the Secretary-General had pointed out in his foreword to the 1967 budget estimates (A/6305, para. 20). The Industrial Development Board, like many other governing bodies, would be tempted to relieve its frustration at the inevitable slowness of industrialization in the developing countries by a mere show of activity. In that respect the future relationship between UNOID and the International Labour Organisation (ILO) would be significant.

31. The comprehensive charter for UNOID embodied in operative paragraph 2 of the draft resolution should not obscure its primary purpose which was to promote the rapid establishment of processing industries. The resources of the new Organization were too small to allow dispersal. Nor should the mandate to disseminate information on technological innovations and to engage in research be interpreted as a licence for refuge in paper work.

32. The new Organization was not just the Centre for Industrial Development in another guise. Its secretariat should be organized in such a way as to cater to the specific needs of individual countries or groups of countries. Arrangements must be made for an immediate feed-back of information from the field to UNOID headquarters, specifying the requirements of Governments. If necessary, priority must be given to staffing the offices of resident representatives with qualified experts, even at the expense of recruitment at headquarters.

33. The United Nations Economic and Social Office in Beirut was mentioned twice in the draft resolution. His delegation took exception to the practice of lending a quasi-autonomous character to that outpost of the Secretariat. Israel was not satisfied with some of the procedures of the Centre for Industrial Development and particularly with its tendency to give formal weight and substance to the claims of autonomy for the Beirut Office to which Israel had no access. His delegation would resist any attempt to use the machinery of UNOID in a similar manner.

34. Mr. KARMARKAR (India) welcomed the establishment of UNOID which fulfilled a long-felt need of the developing countries. He hoped that the spirit of compromise so evident in the Ad Hoc Committee on UNOID would continue to prevail in the Assembly and that the draft resolution would be adopted unanimously.

35. The new Organization had been entrusted with broad responsibilities which it could not discharge unless it had adequate resources. The re-channelling of existing UNDP resources would not solve the

problem. That was why the developing countries were very keen on a separate pledging conference for voluntary contributions to UNOID, and he appealed to the developed countries to reconsider their attitude on that point.

36. The new Organization must also be given the proper staff. The personnel of the present Centre for Industrial Development must be reinforced and technically qualified personnel with experience of field work recruited. The new body must work closely with the other members of the United Nations family and must not waste its meagre resources on duplication. The draft resolution provided for such co-ordination and his delegation was also glad to note that the doubts which the ILO had entertained about certain provisions of the draft resolution had now been dispelled.

37. India had offered New Delhi as the site for the headquarters of UNOID (A/6368) in the firm belief that it should be established in a developing country. An organization, such as UNOID, whose main purpose was to help the developing countries, should come closer, both physically and psychologically, to the developing countries. India had considerable experience of planned industrial development which would be useful for on-the-spot research and study.

38. Sir Edward WARNER (United Kingdom) said that the United Kingdom warmly welcomed the impending establishment of UNOID. He recalled that his delegation to the Ad Hoc Committee on UNOID had entered a number of reservations to the draft resolution recommended by that body and had refrained from submitting amendments only because to do so might have precipitated an avalanche of other amendments, thus jeopardizing the draft resolution and endangering the establishment of the new Organization. However, he would like his Government's views on the following points to be clearly understood.

39. First, it interpreted paragraphs 2, 33 and 34 with full regard to the responsibilities of the Economic and Social Council, acting on the authority of the General Assembly in accordance with Article 60 and other relevant provisions of the United Nations Charter, under which the central co-ordinating position of the Council was paramount. Secondly, in the interests of efficiency the size of the Board should not exceed thirty-six members and they should be elected by the Economic and Social Council. Thirdly, there was no need for a separate pledging conference. The Ad Hoc Committee had recommended several methods by which UNOID's operational activities could be financed, and each country could advance its contribution by the method it considered most suitable in the light of its own interests. The United Kingdom had made its initial contribution in the form of funds-in-trust to be administered by UNDP in close co-operation with UNOID, and it would make future contributions by whatever method seemed most appropriate in the prevailing circumstances. Fourthly, it welcomed the prospect of agreed wording in relation to paragraph 2 (a), (ix), to define the respective competence of UNOID and the ILO in the matter of training, and it hoped that UNOID would have harmonious relations with all the other organizations active in that field, including the Bureau of the International Union for the

Protection of Industrial Property, which had considerable expertise in the matter of industrial property, operated its own programme of technical assistance and had a working agreement with the United Nations under Economic and Social Council resolution 1013 (XXXVII). Fifthly, UNOID should be in New York, alongside UNDP, with whose activities its own must be closely co-ordinated. If UNOID was to be of real service to the developing countries and attract adequate voluntary contributions and a highly qualified staff, it must be in a place where it could not only operate efficiently but also be seen to operate efficiently, in contact with the appropriate organizations and the permanent missions.

40. His delegation would vote in favour of the draft resolution and for appropriate wording in regard to operative paragraph 2 (a), (ix).

41. Mr. BOLIN (Sweden) said that his country had participated both in the Committee for Industrial Development and the Ad Hoc Committee on UNOID in

the conviction that industrialization was vital for the developing countries and that the new body would help them meet their industrial needs. The efforts of the United Nations in the industrial field must be activated, integrated and co-ordinated; in that respect, UNOID would play the central role. His delegation accepted the figure of forty-five members for the Industrial Development Board and hoped that the work of that body would lead to practical results. The present Centre for Industrial Development had done well with its limited resources and, within the context of the new Organization, should increase both its staff and its activities. His delegation hoped that UNOID would continue the close co-operation established by the Centre with national Governments and other members of the United Nations family. The statute of the new body was a balanced compromise and Sweden intended to fulfil its obligations under the draft resolution which it fully supported.

The meeting rose at 5.10 p.m.

