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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 (A/C.2/L.304, A/C.2/L.305, A/C.2/L.306) (*continued*)

1. Mr. CHEN (China) said that his delegation generally approved the Secretariat's long- and short-term programmes of work embodied in documents E/2832 and E/2895, the usefulness of which had been enhanced by valuable suggestions from many speakers, in particular the representatives of Canada (424th meeting) and Argentina (421st meeting).

2. One problem which required urgent attention by the Secretariat was that of the profitability of capital in the under-developed countries as compared with the capital-exporting countries. According to the *World Economic Survey, 1955* (E/2864), it was a mistake to assume from the law of diminishing returns that capital must be relatively more productive in under-developed countries because of its comparatively greater scarcity in relation to land and labour. The problem was of great practical importance, for capital could not be expected to flow from a country where it earned more to one where it earned less, and, if the common assumption that capital was more productive in under-developed countries proved wrong, some under-developed countries at least would have to place their hopes on international private loan capital rather than on the inflow of private equity capital.

3. His delegation would support the Pakistan draft resolution (A/C.2/L.304) on the question of machinery necessary in the field of industrialization.

Mr. Mir Khan (Pakistan) took the Chair.

4. Mr. WOULBROUN (Belgium) said that in the older private-enterprise economies the development of industry since the industrial revolution had been possible because all the prerequisites—raw materials, labour, managerial, technical and commercial skills, mar-

kets and, where necessary, encouragement and support by the authorities—had been present and had rapidly become available. A comparable process had taken place in the planned economies of Eastern Europe, although the main emphasis there had been on basic industries.

5. In the under-developed countries, on the other hand, the obstacles to industrialization were numerous. Climatic conditions were difficult; the economies were subsistence economies based primarily on agriculture, and *per capita* income was low; skilled workers were few; and levels of education and health were still inadequate. Any marginal increase in national income tended to be used for consumer goods and the rate of savings was low. The class likely to provide managerial, technical and commercial skills was still in the process of formation. Such difficulties, while not insurmountable, must be borne in mind in considering methods of promoting industrialization. The fact remained that industrialization was necessary to promote economic and social progress. Specialization, the production of a wide range of goods at prices within the reach of all, gave the masses purchasing power and consumer goods.

6. Unlike Belgium, where 50 per cent of the national income was derived from industry, mining and transport, and only 8 per cent from agriculture, the under-developed countries still relied primarily on agriculture, and industrialization would inevitably be gradual. Nevertheless it was both possible and necessary. It was possible because of the remarkable technical progress achieved in recent years, the under-developed countries' awareness of the need for advancement, and the industrialized countries' determination to assist them.

7. According to the *Monthly Bulletin of Statistics* for January 1957, world industrial production had risen from 100 in 1953 to 114 during the first nine months of 1956. Industrialization had already begun and significant progress had been made in such countries as Brazil, India and Mexico. Spectacular progress had also been made in the Belgian Congo with the encouragement of the metropolitan country and the active collaboration of the indigenous inhabitants. That progress was not based solely on mining; mining and metallurgy accounted for only 22 per cent of the national income, whereas agriculture and the processing of agricultural products accounted for 31.5 per cent, and building, transport and manufacturing 21.75 per cent. The share of indigenous inhabitants in the national income was steadily increasing, and they were acquiring new skills and training.

8. The industrialization of the under-developed countries and their increased tendency to make use of their own resources was not contrary to the interests of the industrialized countries. The older industrialized countries which had produced consumer goods for export were exporting capital equipment for the produc-

tion of those same goods abroad. For example, Belgium, which was a large producer of caustic soda, was establishing caustic soda industries abroad. It was increasingly obvious that the expansion of markets in the rest of the world would in the long run benefit the industrialized countries as exporters of both capital equipment and consumer goods, even if certain adjustments had to be made. That idea had been forcefully expressed by the United States representative (424th meeting) whose country had rendered a signal service in the way of assistance to under-developed countries.

9. Private capital had played and would continue to play an extremely important part in the industrialization of the under-developed countries. Those investing "risk capital" often brought with them a spirit of enterprise, too, and managerial and technical skills. It was obvious that investors were encouraged by an atmosphere of confidence, stability and fidelity to contractual engagements. It was equally obvious that, as had been stressed in so many United Nations resolutions, the inflow of private capital should not be accompanied by political interference in the domestic concerns of the capital-importing country.

10. The United Nations and the specialized agencies could and must play an increased part in promoting the industrialization of the under-developed countries. It was the task of the United Nations in general and the Economic and Social Council in particular to ensure the co-ordination of the activities of the specialized agencies in that field. Useful work could also be done by the regional commissions, the International Labour Organisation (ILO), the Food and Agriculture Organization of the United Nations (FAO) and the Technical Assistance Administration. However, the International Bank for Reconstruction and Development, by its very nature, had the most constructive part to play in the establishment, expansion or transformation of industries; in that respect its achievements in the under-developed countries during the past ten years had been impressive. The recently established International Finance Corporation, of which Belgium was a member, had also a part to play in financing "risk" undertakings which were usually of an industrial nature.

11. Systematic action in the field of industrialization had been undertaken by the United Nations, its various organs and the Secretariat. That work should continue. However, the time was not ripe for considering the establishment of a new international agency responsible for industrialization as had recently been suggested. Industrialization was a complex process, closely related to a whole set of factors governing economic, social, humanitarian and cultural progress. At the present stage it was doubtful whether a new organization could function effectively without duplicating existing bodies and without involving considerable administrative expenditure which the practical results would not justify.

12. His delegation would be glad to vote in favour of the Pakistan draft resolution and to participate actively in any action calculated to promote the industrialization of the under-developed countries.

13. Mr. TODOROV (Bulgaria) said that Bulgaria, which until relatively recently had itself been an under-developed country, fully sympathized with the efforts of under-developed countries to emerge from a state of economic backwardness and abject poverty. Their independence as States in fact depended on their

success in achieving in the shortest possible time an all-round development of their national economies and industrialization; they rightly wanted to stop being agrarian appendages and suppliers of raw materials to other Powers. Speedy industrialization could help them to achieve that end; but it was important for them to decide on the direction industrialization was to take, and on the speed at which their social and economic development should proceed. The experience of the socialist countries could, he was sure, be of immense value to them in that connexion; as the Under-Secretary for Economic and Social Affairs had said (402nd meeting), the rate of industrial advance of those countries during the first post-war decade had been extremely rapid, and they had developed a vast new industrial capacity.

14. Before the Second World War Bulgaria had been economically backward, with a primitive agriculture and little industry, its natural resources unexplored and undeveloped. When, after the end of the war, it had adopted the socialist system of production and had proceeded to industrialize, it had made tremendous economic progress in a very short time—an achievement which had convinced it of the correctness of the method it had chosen. By the end of 1948 its economy had been restored to the pre-war level. The first five-year plan had been completed in four years; the second was now under way. Bulgaria had concentrated, first, on the development of fuel and power resources; secondly, on the improvement of the rural economy; thirdly, on the exploitation of the country's natural resources through the establishment of metallurgical, chemical and building-material industries and, fourthly, on the expansion of light industry. By 1955 Bulgaria's economic activity had become predominantly industrial, with the emphasis on heavy industry. Industrial output as a whole had multiplied more than five times since 1939. The number of persons employed, particularly in industry, had risen sharply; salaries, real wages and labour productivity had all increased. Agriculture had been developed concurrently; mechanization and farmers' co-operatives had been introduced.

15. Bulgaria had been grateful for the help of the people's democracies, and chiefly of the USSR, in the provision of machinery, technical knowledge, markets and supplies of raw materials. The other countries with a socialist economy had also achieved great successes in industrialization. He was at a loss, therefore, to understand why some delegations, including the United Kingdom representative at the 424th meeting, had tried to disparage the rapid achievements of those countries and to exaggerate the mistakes made inevitably along the way. There was no denying that the countries with centrally planned economies had progressed more rapidly than the capitalist countries. Russia which in 1917 had been a poor and backward country, now ranked second only to the United States and even in some respects held first place. The other socialist countries had also made tremendous progress since the end of the Second World War. Delegations were doing a disservice to the under-developed countries by trying to distract their attention from such examples. Moreover, the under-developed countries ought to bear in mind that the economic assistance offered them by the Western countries was virtually never disinterested but almost always sought economic and political ends, as could be seen from the recent example of the Aswan dam in Egypt. Even less could

the under-developed countries rely on foreign monopolistic capital for the development of their industries, and in particular their heavy industries. The report of the Special Commission headed by Mr. Hoover to the United States Congress in June 1955,¹ clearly showed that all industrial aid from the United States to under-developed countries ought to be restricted to small-scale industry only. Monopolistic capital was, in any case, guided by the criterion of maximum profit and not by that of the economic needs of the country concerned. The under-developed countries were therefore driven to the conclusion that they could develop heavy industry only as part of the State sector of the economy. Indeed, that was what was happening in the matter of hydro-technical construction in India, Burma, Indonesia and Egypt.

16. The successful industrialization of the under-developed countries required the expansion and stabilization of international trade. Some delegations, notably those of Brazil and Argentina, had made great efforts in the Commission on International Commodity Trade, but that Commission was still concerned with theoretical problems. It was high time for it to come to the point of making practical plans. His delegation fully supported the Soviet Union delegation's proposal (404th meeting) for the convening of a world economic conference which would discuss the problems of concrete international co-operation in the industrialization of the less developed countries and promote the expansion of trade relations between different countries.

17. The less developed countries would find open to them the vast markets of the Soviet Union, the People's Republic of China and the other people's democracies. His delegation endorsed the provisions of Economic and Social Council resolution 618 (XXII) and supported the proposal for the establishment of a United Nations organ to deal with the industrialization of the under-developed countries. In general, Bulgaria approved of the programme of study outlined in document E/2895 but agreed with the Canadian delegation that lengthy theoretical research work on such questions was unnecessary. His delegation hoped that, with the help of the United Nations and of the highly industrialized countries, the countries now in process of development would be able to avoid serious mistakes and to find the best and quickest way of accomplishing their industrialization.

18. Mr. FINGER (United States of America) said that in view of certain misleading statements in the Bulgarian representative's intervention, he reserved his right to reply at a later meeting.

19. Mr. ELEKDAG (Turkey) noted that it was now generally agreed that the increased prosperity of the under-developed countries would contribute to political stability, general prosperity and world peace. If the high propensity to import of the under-developed countries was taken into account, it was obvious that the investments made in those countries would not be wasted, for their economic development would lead to an increase in the demand for goods from the highly industrialized countries. Poor neighbours were poor customers. Some delegations had had some misgivings about the seemingly exaggerated attention the under-developed countries were giving to the matter of industrialization. He

could say that their reasons were threefold. First, they wanted to raise the level of national production and with it the standard of living of their peoples. Secondly, they wanted to diversify their economies as a measure of insurance against all eventualities, whether a fall in prices, adverse weather conditions or outside cyclical disturbances. Thirdly, they wanted to offset the effects of a continuous deterioration in the terms of trade. In fact, the price relationship between raw materials and manufactured goods had become such that countries which depended on their exports of raw materials were condemned to poverty and stagnation.

20. In embarking on their industrialization, however, the under-developed countries were faced with serious problems. In the first place, they needed money: domestic capital alone was inadequate, since there was little opportunity for the accumulation of savings, and no one would suggest the extreme diversion of resources from essential consumption to the purchase of capital goods. Supplies of foreign capital were essential for development projects and on that matter the views of his delegation were well known. In addition to capital and equipment, they needed skilled workers and managerial ability, auxiliary industries, power stations, means of transportation and a demand for products. Nor could knowledge and experience be transplanted direct from one country to another; industrial and management techniques must be adapted to the specific needs of each country.

21. The documents prepared by the Secretary-General (E/2832 and E/2895) in response to Economic and Social Council resolutions 560 (XIX) and 597 A (XXI) contained suggestions for studies and projects which could be useful in solving such problems. The question of appropriate machinery arose; the Secretary-General had suggested that, if the work undertaken were to be extensive, a special body should be established. Since the current work programme would shortly be completed and would be followed by more complex studies, he would suggest the consideration of some more adequate machinery for dealing with them. He would stress, however, that such studies could only be very general, since it was obviously impossible to find a universal formula for economic development. The object should be to establish guiding principles capable of adaptation to the specific conditions of each country.

22. Mr. Gopala MENON (India) said that, since his delegation had indicated the importance it attached to industrialization in its general statement on the economic development of the under-developed countries (413th meeting), he would confine himself to a few points of particular interest to India. Naturally, every effort should be made to remove the economic disparity between the developed and the under-developed countries but, as India was well aware, the bulk of the work must be done by the under-developed countries themselves, and they must look to the United Nations principally for technical advice and help in planning.

23. India's problems today lay in four main areas. The first was that of the heavy industries. India intended, during the period of its second five year plan, to concentrate its investment, both in the public and in the private sectors, on the development of basic industries such as iron and steel and engineering. That would call for long-term planning and estimates of the likely pattern of demand and the structure of production fairly far into the future. India would therefore welcome studies in the growth pattern of basic industries in other

¹ Commission on Organization of the Executive Branch of the Government, *Overseas Economic Operations, a Report to the Congress, June 1955*, U. S. Government Printing Office, Washington, D. C., 1955.

countries and in such problems as the scale of manufacture appropriate to different sizes of markets.

24. The second area was that of small-scale and cottage industries, to which his country intended to devote some 4 per cent of its total public outlay during the second five year plan in order to provide employment, facilitate a more equal distribution of national income and promote the more effective use of capital and skills. India would welcome studies in that field which would help it solve the problems of lack of finance, unsatisfactory equipment, outmoded technology and poor buying and marketing arrangements, and indicate the methods of production which other countries had found to be economically efficient.

25. The third area was that of transport where, during the period of the second five year plan, India intended not only to complete the rehabilitation of the country's transport system, begun in the period of the first plan, but also to expand the system considerably to meet the needs of growing industrial output and to increase passenger-carrying capacity. It would be glad if studies were made on the question of an appropriate relationship between transport and industrial development and on the experience of other countries in that respect. Adequate transport was essential to industrial growth and an institution like the Special United Nations Fund for Economic Development (SUNFED) could help in the financing of projects.

26. The fourth area was that of the management of public enterprises. In the new five year plan period, the ratio of public to private investment was expected to increase and the management of many new undertakings, such as steel plants, coal mines, factories for the construction of heavy machinery, and oil exploration concerns would become the responsibility of the Government. It was intended to establish an industrial management service for that purpose. His Government would therefore be very grateful for information about the experiences of other countries in such matters, with special reference to such problems as the conflict between accountability to legislative bodies on the one hand and the need to ensure initiative and enterprise in the day-to-day management of an undertaking on the other.

27. His Government believed that all the studies he had mentioned would be of immense value not only to India but to all the under-developed countries; they ought, however, to be completed at a very early date if countries which had already embarked on the task of industrialization were to benefit from them, and he would therefore urge that they should be given a high priority.

28. Mr. BOIKO (Ukrainian Soviet Socialist Republic) recalled that, at the previous meeting, the United Kingdom representative had wondered what the Ukrainian delegation's intention had been in quoting certain industrial statistics.

29. The Ukrainian SSR had no intention of imposing its experience of industrialization on other countries, but its experience could not be discounted. It would be interesting to have objective studies of the industrial experience of all countries. He doubted whether the United Kingdom colonial system would commend itself to the under-developed countries which were faced with the choice of various roads to development. Even from the few indications he had given at the 420th meeting it could be seen, by comparing them with the

statistics provided by the United Kingdom, that there was competition between two economic systems.

30. In order to comply with the wishes expressed by certain representatives, he had given absolute figures for the Ukraine, although they had apparently not satisfied the United Kingdom delegation. He therefore considered that the best method would be to compare the rates of increase in production in the Ukraine and the United Kingdom in respect of a series of goods. In 1955, as compared with 1950, the total volume of industrial production in the United Kingdom had increased by 19 to 20 per cent as compared with 90 per cent in the Ukraine: production increases, expressed in percentages for the United Kingdom and the Ukraine respectively, were as follows: coal, 3 per cent and 62 per cent; steel, 21 per cent and 201 per cent; pig-iron, 30 per cent and 80 per cent; rolled steel, 29 per cent and 97 per cent; electric power, 37 per cent and 104 per cent. Those figures also showed that by intensified industrialization a country could strengthen its defences against outside economic interference.

31. Mr. PSCOLKA (Czechoslovakia) said that the United Kingdom representative had asserted that it was absurd and tendentious to claim that the so-called colonial Powers were opposed to the industrialization of the territories under their administration. The United Kingdom representative had also attributed to the Czechoslovak delegation the allegation that the low level in certain countries was due to the colonial rule to which they were subjected, which was a distortion of what had actually been said. The Czechoslovak delegation had in fact pointed out that, because of the colonial régime, many countries in South-East Asia and Africa had embarked on industrialization much later than the West. History showed that colonial territories were retarded because colonialism meant not only political but also economic domination, a fact borne out by the statements of many prominent Asian personalities.

32. Sir Alec RANDALL (United Kingdom) thought that the most appropriate rejoinder to the Ukrainian representative's remarks would be to refer to the membership of the House of Commons after a certain general election, in which a second Communist member had been elected. At the first meeting of the new Parliament, the leader of the Communist party had declared that he could state with pride that his party had increased its representation by 100 per cent.

33. Mr. JEVTIC (Yugoslavia) considered that the substance of the three draft resolutions on industrialization (A/C.2/L.304, A/C.2/L.305 and A/C.2/L.306) was much the same. He therefore proposed that the sponsors should confer with a view to agreeing on a common text.

34. Mr. LARREA (Ecuador) supported the Yugoslavia proposal.

35. Mr. ALFONZO RAVARD (Venezuela), speaking as a co-sponsor of the nine-Power draft resolution (A/C.2/L.305), said that he had no objection to exchanging ideas with the sponsors of the other draft resolutions but, despite the Yugoslav representative's remarks, he considered that there were certain differences in the three texts. For example, in operative paragraph 3 of the Egyptian draft resolution (A/C.2/L.306), the Secretary-General was requested to prepare for the consideration of the twenty-fifth session of the Council a report on machinery necessary in the field of industrialization of under-developed countries, whereas the Secretary-General had pointed out in his report to

the twenty-second session of the Council (E/2895, para. 52) that it would be wise to await experience during the first limited phase before taking any decision on the establishment of a subsidiary body of the Council. In other words, the Secretary-General was being requested to reconsider his own suggestion.

36. In the interest of co-operation he was prepared to confer with the other sponsors. It might be possible to agree on a single text, excluding operative paragraph 3 of the Egyptian draft resolution; otherwise he would press for separate consideration of the nine-Power draft resolution.

37. Mr. ANIS (Egypt) said that his draft resolution was similar to that of Pakistan. He was not requesting the Secretary-General to take immediate action but to prepare for the consideration of the twenty-fifth session of the Council a report on the possibility of establishing a special self-contained unit and a policy-making body.

The Yugoslav proposal was adopted.

AGENDA ITEM 28

Establishment of a world food reserve: report of the Economic and Social Council (A/3154, A/3192, A/C.2/L.297/Rev.2, A/C.2/L.299) (continued)

38. U PE KIN (Burma) welcomed the spirit which had prompted the United States delegation to introduce its original draft resolution (A/C.2/L.297 and Corr.1) and wished to comment briefly on the pertinency of that draft resolution to the work of FAO as revealed in its report entitled *Functions of a World Food Reserve—Scope and Limitations*.²

39. He had been impressed by the analytical remarks made by the New Zealand representative (418th meeting) and commended them to the Committee, FAO and the Secretary-General who would necessarily be involved if the revised draft (A/C.2/L.297/Rev.2) were adopted.

40. It was a lamentable fact that nature's bounty was unequally distributed. Thus some countries, like Burma and Thailand, were self-sufficient in food and had sufficient surpluses to help feed other peoples. On the other hand, there were countries which suffered the blight of famine. That situation raised two problems. Firstly, some means must be devised to provide food promptly in order to alleviate famine and long-term starvation for millions of people. Secondly, a long-range plan must be developed to remove dietary deficiencies in many countries in order to improve health and eradicate mal-nutritional diseases.

² Food and Agriculture Organization of the United Nations, Commodity Policy Studies No. 10, Rome, 1956.

41. Burma was prepared to go to the immediate assistance of any country suffering from a food emergency, but it might not have the necessary international transport at its disposal. The United States draft resolution took such action for granted, although it might be wise to provide for the United Nations to act as the competent international agency in that connexion. Such an arrangement would entail agreements as to the stocks available for distribution in emergencies and the means by which such stocks could be transported to their appropriate destination.

42. The national reserves envisaged in the draft resolution could be used for relief in emergencies and, what was more important, they could be used to build up the quantity of food available in a given country. A national food reserve could conceivably eliminate starvation by increasing the daily *per capita* intake of food. Thus the United Nations would help to correct the inequalities arising from the inability of a State to feed its population.

43. The draft resolution rightly did not deal with the question of diet, but it should not be forgotten that Member States had launched many programmes designed to improve the protective elements in food. That problem was frequently left to doctors and health authorities, but its political and economic aspects must be borne in mind.

44. On the face of the draft resolution, it should be easy to agree on the creation of national food reserves but, as the amendments indicated, such reserves raised basic questions affecting the very lives of the States blessed by nature's bounty. Some States, like Burma and Thailand, produced a surplus of food and a few other commodities on which their economy was based. If sales were good in quantity and price they thrived; if not, while not impoverished, they were unable to do for their people what they expected. Every aspect of their economy depended on the solution of that problem.

45. It had been pointed out that the problem of international commodity trade was perhaps the key economic issue affecting the economic development of the underdeveloped countries. Only the sale of their exportable commodities enabled them to import capital and consumer goods from the industrialized countries; hence the reality of economic interdependence. The crux of the problem was to find the means whereby the international trade volume and the price structure of primary and manufactured products could be kept in reasonable balance.

46. If the revised draft resolution, which he supported, were adopted and served to focus attention on the points he had raised, it would have served a truly humanitarian purpose and would promote a stable and increasingly interdependent world economy.

The meeting rose at 1 p.m.