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Chairman: Mr. Ismael THAJEB (Indonesia).

AGENDA ITEM 33

Economic development of under-developed countries (A/5532) (continued):

(d) Accelerated flow of capital and technical assistance to the developing countries: report of the Secretary-General (A/5546, A/C.2/L.739/Rev.3, A/C.2/L.761 and Add.1) (continued)

1. Mr. SOLODOVNIKOV (Union of Soviet Socialist Republics) said that his delegation had voted for the draft resolution (A/C.2/L.739/Rev.3) submitted by developing countries to which the flow of capital and assistance was of practical as well as theoretical interest. Thanks to the constructive amendments which had been submitted, the text adopted had taken into account the views of all the delegations which had taken part in the debate. It was to be hoped that the views expressed by the Soviet Union delegation at the 927th meeting would be borne in mind when the reviews requested in the draft resolution were undertaken. United Nations surveys of the flow of capital and assistance should take into account the interests of the developing countries themselves and not concentrate solely on private foreign capital, as they had often done in the past. The debate in the Committee had shown that the time had come to study the outflow of capital from the developing countries.

2. At the preceding meeting, one delegation, in explaining its vote, had attempted to attribute to the USSR delegation views which it did not in fact hold. His delegation did not base its conclusions regarding the inflow and outflow of capital on data covering only a short period of time, such as those in tables 10 and 11 of the study entitled International Flow of long-term Capital and Official Donations, 1959-1961 (A/5195/Rev.1). The current unfavourable trend in the flow of capital, reflected in the outflow of capital from the developing countries, could be deduced from other reliable sources, such as the Monthly Economic Letter for September 1963 of the First National City Bank, of New York. That publication stated, in con-

nexion with United States capital exports and its balance-of-payments problem, that it was penny-wise and pound-foolish to blame the balance-of-payments deficit on private investments overseas; it pointed out that, unlike "soft" loans and grants under Government programmes, private investments supported the balance of payments for years into the future and that money prudently invested was returned with interest. In stating that income from overseas direct investments provided a sturdy support to the United States balance of payments, the Monthly Economic Letter noted that, by 1962, that income had grown beyond \$3,000 million, nearly double the \$1,600 million of new direct investments made in that year; it cited the report of the Brookings Institution entitled The United States Balance of Payments in 1968, which offered a calculation that a direct investment in manufacturing facilities in Europe was likely to pay back the cost imposed on the balance of payments within six years, and it added that any funds brought home after that represented a free and clear gain to the balance of payments. Thus, he said in conclusion, the income from such investments was a major item in the United States balance of payments.

3. Mr. SOUSSANE (Morocco) said that all countries in the process of industrialization were seeking new public or private investments from domestic or foreign sources. There was a particular need for capital on terms which would provide a sound basis for national economic development programmes without upsetting the balance of payments. The developing countries' quest for capital was impeded by the lack of comparable international statistics on flows and sources of capital. Those countries therefore welcomed the idea of a standing committee to review the flow of international assistance and development capital. The review would be useful to them and to the relevant United Nations organs, particularly the specialized agencies and the regional economic commissions.

(b) *Activities of the United Nations in the field of industrial development: report of the Economic and Social Council (E/3781, annex VIII; A/5503, chap. IV; A/5534 and Add.1 and 2, A/5535 and Add.1-5 and Add.5/Corr.1; A/C.2/221, A/C.2/L.740 and Add.1) (continued)*

4. Mr. KANO (Nigeria), introducing the two-Power amendment (A/C.2/L.769) to the draft resolution on activities in the field of industrial development (A/C.2/L.740 and Add.1), said that many economic development plans were being implemented in the developing countries, especially those which had recently attained independence. In many countries, particularly in Africa, natural resources constituted the main source of wealth and the basis of development plans. The exploitation of a country's natural resources was often not geared to its development objectives, because those resources were in the hands of foreign

monopolies. The utilization of natural resources should be related to the process of industrialization, which called for the mobilization of all external and internal resources. As the Polish representative had rightly pointed out in the general debate (901st meeting), natural resources should be put to the best use in order to facilitate domestic capital formation.

5. Mr. FERNANDINI (Peru) said that the draft resolution, of which his delegation was a sponsor, contained one of the most important proposals before the General Assembly: the establishment of an organization for industrial development within the framework of the United Nations.

6. The mainstays of economic development were agriculture, natural resources, trade and industry, supported by technology. The stage of development reached by a country was determined by the extent to which it possessed some or all of those four basic assets. It was the objective of the United Nations to help countries to reach at least a minimum level as regards those basic aspects of development. Progress had been made, particularly in agriculture, but there were still no organizations specifically designed to promote the development of trade and industry. At the United Nations Conference on Trade and Development, an attempt would be made to establish a better organizational structure for the development of world trade. So far as industry was concerned, it had not been decided until 1959 to establish the Committee for Industrial Development. That had been a first step towards the objective of the developing countries, namely, the establishment of a specialized agency in that field.

7. The advisability of establishing a specialized agency or other appropriate body for industrial development had been included as item 5 (b) in the agenda of the second session of the Committee for Industrial Development. The establishment of such a specialized agency had also been recommended in a memorandum presented at that session by the Brazilian delegation (E/C.5/21) and in a draft resolution presented by seven Powers (E/C.5/L.6/Rev.1). The creation of a new organization was necessary because of the lack of facilities for financing industrialization. In the United Nations system, only the International Bank, IFC and IDA granted loans for industrial development. It was true that the financing of a specialized agency would present difficulties, but its advantages would justify the expenditure. Industrial development would increase the share of industry in the national product of the developing countries and provide employment opportunities. Again, it would benefit not only the developing countries but also the industrialized countries, which would be able to expand their markets.

8. Some progress had been made with the establishment of the Centre for Industrial Development and the appointment of the Commissioner for Industrial Development, but the Centre, although it was doing excellent work, was not able to meet all requirements because of its lack of funds and personnel and its restricted mandate. The Advisory Committee of Experts on the Industrial Development Activities of the United Nations System had stated, in paragraph 23 of its report (E/3781, annex VIII), that the resources devoted to work in the field of industrial development were notably inadequate. In paragraph 37, concern was expressed at the lack of central leadership in that respect. The Advisory Committee had reached

the conclusion that a subsidiary organization should be set up within the United Nations and had defined the purpose and functions of the new organization in paragraph 42 of its report. The sponsors of the draft resolution before the Committee had referred to the conclusions of the Advisory Committee in the preamble.

9. General progress was being impeded by the inadequacy of industrial development in the developing countries, and an organization to promote industrial development would be of great benefit. In addition, many developing countries implementing programmes of agrarian reform needed to supplement those activities with industrial development programmes. The agrarian problems of the developing countries would not be really solved unless the transition to a modern industrial society was facilitated.

10. Mr. COSIO VILLEGAS (Mexico) said the report of the Advisory Committee of Experts had serious drawbacks. The Committee had only partially fulfilled its mandate and the representatives serving on it had not all been real experts. The omission of an expert with special knowledge of the administrative ramifications of the United Nations had been a serious drawback. Yet the report merited serious consideration. It contained both a diagnosis and a course of treatment. The Committee for Industrial Development and the Economic and Social Council had agreed with the diagnosis but had disagreed about the treatment. The Council had adopted resolution 969 (XXXVI), which merely postponed a decision on the proposal to establish a new body until at least the nineteenth session of the General Assembly. The report of the Advisory Committee had suffered a similar fate in the Administrative Committee on Co-ordination which, in paragraph 133 of its report (E/3765), recognized that the United Nations could and should play an important role in the field of industrialization, but had stated that the details of the proposed United Nations industrial development organ would need most careful consideration. The reactions of the specialized agencies were not particularly enthusiastic but, with certain reservations, they did not seem to have strong objections to the proposal to establish within the Secretariat a unit similar to that proposed by the Advisory Committee.

11. Unfortunately, the only constructive proposal made in the Council, namely, that the resources of the Centre for Industrial Development should be enlarged pending the establishment of the new organization, had not been included in resolution 969 (XXXVI). At the current session, the General Assembly might endorse that proposal and also instruct the Secretary-General to submit to the forthcoming summer session of the Council a definite plan, specifying the financial implications, for the establishment of the subsidiary body recommended by the Advisory Committee of Experts. His delegation therefore welcomed the draft resolution but felt that its sponsors should clarify the meaning of the term "organization" in operative paragraph 2.

12. Mr. EL BANNA (United Arab Republic) said that the importance of industrialization for the developing countries had been clearly brought out in the report of the Advisory Committee of Experts. It might seem at first that industry had a very small part to play in the over-all economy of a country and that more emphasis should be laid on larger sectors, such as agriculture. That was doubtless true, but industry was

the most dynamic sector and was destined to grow considerably both in absolute and relative terms. If it did not, the total process of development would be retarded or even brought to a standstill. Manufacturing industries were particularly difficult to launch in the developing countries. The United Nations must therefore conduct careful and far-ranging studies to determine the best possible programmes of industrialization and to help the developing countries implement them.

13. So far, the activities of the United Nations family in the field of industry had been marginal and were no substitute for a direct attack on the problem. It was strange to hear them cited as an argument for not setting up a new agency. His delegation was sponsoring the draft resolution on the understanding that the importance of industrialization was fully realized and that, when the form and functions of the new organization were discussed in detail, due attention would be given to the compelling need to deal with industrialization as a central theme in the work of a specialized United Nations organization.

14. At the same time, the experience of the developed and developing countries in the field of industry should be discussed at an international symposium held under the auspices of the United Nations. The symposium, proposed in operative paragraph 4 of the draft resolution, might be convened in 1966, thus allowing time for the results of the United Nations Conference on Trade and Development in the matter of industrial activities to be taken into account.

Mr. Fernandini (Peru), Vice-Chairman, took the Chair.

15. Mr. VENEGAS (Colombia) supported the views put forward by the representatives of Brazil and Pakistan in introducing the draft resolution (926th meeting). Although his delegation considered that a specialized agency should be established to handle industrial problems, it was ready to accept the proposal of the Advisory Committee of Experts, endorsed in operative paragraph 2, as a satisfactory compromise. He therefore hoped that the draft resolution could be adopted by the Committee and an immediate decision taken to establish the proposed organization.

16. Mr. CARRILLO (El Salvador) stressed that the development of industry was absolutely vital for the developing countries. It enabled them to utilize their natural resources and their abundant manpower. The earnings of industry could be invested in agriculture and thus help to raise productivity and living levels in that sector. As the tempo of industrialization increased, so national income would rise, with all the consequent economic and social benefits. For those reasons, his country wished to be added to the sponsors of the draft resolution and welcomed the proposal to establish an organization for industrial development.

17. However, the sponsors might explain exactly what kind of organization they had in mind and indicate whether they wanted a body like the Special Fund, which was a subsidiary organization within the United Nations, or whether they wanted a specialized agency which would enjoy greater autonomy. According to Article 59 of the United Nations Charter, the Organization was empowered to initiate negotiations for the creation of any new specialized agencies required for the accomplishment of the purposes set forth in article 55. The sponsors had already mentioned Articles 55 and 56 in the preamble of the draft resolution; they

might have added a reference to Article 59. The United Nations Conference on Trade and Development might conclude that a specialized agency was necessary in the field of trade; but another specialized agency was urgently needed to deal with industrialization. It was on that understanding that his delegation supported the draft resolution.

18. Mr. BRADLEY (Argentina) said that his delegation had co-sponsored the draft resolution. It had become clear in the course of the general debate that both the developed and the developing countries attached great importance to industrialization as a means of achieving the objectives of economic development. It was generally accepted that a dynamic industry was essential for accelerating economic development. In order to create such an industry, international co-operation must be channelled through bodies having competence in the technical, financial and legal fields.

19. The report of the Advisory Committee of Experts recognized that the United Nations bodies currently operating in that field were unable to discharge their duties with sufficient effectiveness. It noted that the financial resources were inadequate, that industrial development was given only marginal attention and that United Nations industrial development activities had been seriously impaired by a lack of central leadership. If the premise was accepted that there could be no development with industrialization and no industrialization without adequate advice, it followed that the present institutional framework was retarding the growth and economic integration of the developing countries. He wished to make it clear that his delegation highly appreciated the technical competence of the United Nations organs dealing with the problem, so far as their present structure allowed, but they could have accomplished a great deal more with the proper organization, means and resources.

20. The Preamble to the Charter stated that one of the aims of the United Nations was to employ international machinery for the promotion of the economic and social advancement of all peoples. Since the adoption of the Charter, the General Assembly and the Economic and Social Council had adopted a series of resolutions to ensure that the industrial development of the developing countries contributed to the rapid fulfilment of those objectives. His delegation firmly believed that the draft resolution would greatly improve the present institutional framework and, if adopted, would further the purposes of the Charter.

21. The two-Power amendment (A/C.2/L.769) appeared to introduce a subject extraneous to the draft resolution, and he reserved his delegation's right to make further comments on it.

22. Mr. CVOROVIC (Yugoslavia) said that the acceleration of the economic development of the developing countries through industrialization had been discussed in the Committee for many years. However, the United Nations had only begun to adopt a more systematic and vigorous approach in 1960, when the Council had decided, by its resolution 751 (XXIX), to establish a standing committee for industrial development. The establishment of that committee had transferred the subject of industrialization from the realm of academic discussion to that of day-to-day research aimed at providing practical aid to countries in the process of industrialization.

23. Organizational problems had occupied an important place in the work of the Committee for Industrial

Development. On that Committee's initiative, the Council had requested the Secretary-General to appoint an advisory committee of experts to consider what further organizational changes might be necessary in order to intensify and expedite the United Nations effort for industrial development of the less developed countries, including the advisability of establishing a specialized agency for industrial development (resolution 873 (XXXIII)). The Advisory Committee had submitted its report to the Council at its thirty-sixth session.

24. The Yugoslav delegation was convinced that the solution of the organizational problems would greatly intensify United Nations efforts in the field of industrialization. His delegation had already stated its position on the matter in the Committee for Industrial Development and the Council; he would therefore confine his comments to the draft resolution.

25. The Advisory Committee of Experts had done very important work. It had examined the activities of all the United Nations bodies concerned with industrialization and had submitted a number of suggestions and recommendations. It had stated that there was a great gap between theory and practice and between the needs of the developing countries for international aid in industrialization and the volume of resources allocated for that purpose. It had also pointed out that a marked change in the present situation was unlikely without a substantial increase in the resources devoted to industrialization.

26. Despite its importance for the developing countries, industrial development had not been given the attention it deserved. Financial institutions such as the International Bank, IDA, the Special Fund and the Expanded Programme of Technical Assistance had contributed only a relatively small amount of their resources for that purpose. On the positive side, the Managing Director of the Special Fund had said that the Fund intended to extend its pre-investment activities to the field of industry. Another encouraging sign had been the statement by the President of the International Bank that the Bank would intensify its activities to include financing for industrial purposes and would also grant loans for imports of industrial equipment. Although those developments were welcome, there was still no central body to co-ordinate the United Nations activities in the field of industrialization. As a result, much effort had been wasted and only a marginal contribution made to industrial development.

27. The Advisory Committee of Experts had expressed the opinion that even improved co-ordination would be no substitute for the integrated and expanded activity which was essential to solve the enormous problems of industrialization. It was clear from the report that United Nations activities must be not only increased but also centralized in a single body which would be responsible for all activities in that field. His delegation could not accept the arguments of the Advisory Committee that a specialized agency for industrialization would duplicate present efforts, since the report itself unequivocally showed that those efforts were inadequate. His delegation believed, however, that the report was inspired by a new and realistic approach to the problem and to the role that the United Nations must play. The draft resolution fully reflected that new approach and offered a suitable basis for action to fill the gap. It was worded in general terms so as to permit the inclusion

of all constructive proposals. While the establishment of a new organ for industrialization would, as the specialized agencies had often pointed out, create considerable difficulties of co-ordination, it was also true that it would solve many existing problems.

28. A solution must urgently be found to the problem in view of the fact that the United Nations Conference on Trade and Development was expected not only to produce important results in the field of traditional trade but also to lead to a substantial increase in exports of manufactures and semi-manufactures from the less developed countries. His delegation hoped that machinery would be created through which effective aid could be rendered to the under-developed countries in the industrial development sector.

29. Mr. CRISTUREANU (Romania) said that industrialization was urgently essential for the economic and social progress of the developing countries. At its third session, the Committee for Industrial Development had endorsed the thesis that industrial development was a key and dynamic factor in economic development, a position which the Romanian delegation fully supported. Only industrialization, with priority given to heavy industry, could galvanize the over-all economy and effectively stimulate economic and social progress. There were many ways in which the more advanced countries could assist the developing countries to reach their economic and social development objectives. Both United Nations assistance and bilateral economic agreements were highly important. The developed as well as the developing countries would benefit from the construction, financed bilaterally or multilaterally, of industries in the latter countries. However, agreements concluded between States must respect national independence and sovereignty and must not lead to the economic subordination of the less developed countries. He was glad to note that developing countries were aware that their economic and social development was possible only through sustained industrialization.

30. The prominent place that the Romanian People's Republic gave to the industrial sector was well illustrated by the fact that, in 1962, industry and construction accounted for 61.7 per cent of its total product and 53.7 per cent of its national income. Romania's industrial development was characterized by the high and sustained growth rate of over-all industrial production. In 1962, the gross output of Romanian industry had increased by 14.7 per cent as compared with 1961. The output of the key industrial sectors, including the iron and steel industry, had also shown very high rates of growth. Satisfactory results had been achieved in the output of the consumer goods industry which had, in the period 1960-1962, exceeded the target set under the six-year plan. Those remarkable successes in industrialization had been the result of a correct economic policy which provided for the harmonious expansion of the national economy on the basis of the country's natural resources. Priority had been given to the development of the heavy and machine-building industries, and the latest techniques had been applied.

31. Various United Nations bodies were making a contribution to the industrialization of the developing countries, and operative paragraph 4 of the draft resolution, which requested that a study be carried out on the advisability of holding an international symposium relating to the problems of the industrialization of developing countries, could be regarded as a

positive element designed to further such activity. A debate on all forms of co-operation and economic assistance for developing countries and the adoption of efficient measures based on the experience of countries which had already made strides in industrialization would contribute to the economic development of the developing countries, strengthen their national independence and sovereignty and further international economic relations on the basis of equal rights and mutual advantage.

32. His delegation reserved its right to revert to the subject at a later stage.

33. Mr. GHEBEH (Syria) said that industrialization had a dynamic role to play in economic development. It involved a combination of problems, and it was the duty of the United Nations to assist the developing countries in their efforts. Many delegations had rightly emphasized the need for a specific United Nations body to provide assistance in that field.

34. As a sponsor of the draft resolution, his delegation had studied with interest the amendment submitted by Ghana and Nigeria and sympathized with their motives. However, the organ proposed in the draft resolution would have special functions deriving from its relationship to the United Nations, financial arrangements and co-operation with regional economic commissions. He felt that the scope of the proposed organ was limited and that the matter of natural resources, although closely related to over-all development, was outside its purview. He agreed, however, that due consideration must be given to the relationship between industrialization and natural resources.

35. In conclusion, he said that he would welcome clarification of their amendment by the delegations of Ghana and Nigeria.

The meeting rose at 5.50 p.m.