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President: Sir Douglas COPLAND (Australia).

Present:

The representatives of the following countries: Argentina, Australia, China, Czechoslovakia, Dominican Republic, Ecuador, Egypt, France, India, Netherlands, Norway, Pakistan, Turkey, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Venezuela, Yugoslavia.

Observers from the following countries: Chile, Colombia, Costa Rica, Indonesia, Iran.

The representatives of the following specialized agencies: International Labour Organisation, Food and Agriculture Organization of the United Nations, United Nations Educational, Scientific and Cultural Organization, International Bank for Reconstruction and Development, World Health Organization.

Request for the inclusion of a supplementary item in the agenda of the nineteenth session (E/2715) (*continued*)

1. Mr. DONS (Norway) said that, for the reasons given in his delegation's memorandum (E/2715), a decision should be taken as soon as possible on the proposal to include in the agenda of the Council's nineteenth session the supplementary item: "Representation of the Commission on the Status of Women at sessions of the Commission on Human Rights and of the Social Commission". In substance, the object was to avoid duplication of work and to facilitate co-ordination among the various bodies dealing with the same problems. The financial implications seemed insignificant, particularly compared with the important principle involved. He hoped therefore that the Council would endorse the proposal.

2. Mr. SAKSIN (Union of Soviet Socialist Republics) wanted time to study the Russian text of document E/2715, which was to be circulated towards the end of the morning.

3. The PRESIDENT suggested that consideration of the item should be postponed until the following meeting.

It was so decided.

AGENDA ITEM 5

Economic development of under-developed countries (E/2538, E/2604 and Corr.1 and 2, E/2655, E/2670, E/2689, E/2690, E/2691) (*continued*)

4. Mr. SIMONNET (France) congratulated the Secretariat on its study on the *Processes and Problems*

of *Industrialization in Under-developed Countries* (E/2670), which formed a useful supplement to earlier studies of the economic development of under-developed countries. France was all the more interested in studies of the industrialization of those countries as it was itself making a considerable effort to equip its African territories.

5. Discussing first the principal reason for the under-industrialization of the less developed countries, he pointed to the very close relationship between industrialization and economic development. It was therefore natural for all countries to strive to increase their industrial potential. The assistance provided by the United Nations in that respect could only promote social progress, which remained the basic objective of all societies. For that reason, the Secretariat study, which merely touched on the main problems, should be followed by other, more searching studies defining the relationship between industrialization and economic development generally so that sound development programmes could be worked out.

6. The differences in levels of industrialization—and therefore of economic development—were essentially due to the unequal distribution of skills and natural resources in the world. The environment exerted the greatest influence and other factors played a relatively minor part. The Secretariat study had barely touched on that idea. Commenting on the section entitled "Social structure, institutions and values" in chapter 2, he emphasized the relationship between geographic factors and social phenomena. He illustrated his point by a reference to population growth; unfavourable natural conditions (climate, resources, etc.) could result either in depopulation or in overpopulation, while under favourable circumstances, in new and rich areas, for example, the first very rapid demographic growth usually slowed down as soon as an optimum population figure had been reached.

7. Referring next to the harmful influence of a rigid social system on industrialization, he cited the comments in the Secretariat study to the effect that in under-developed countries the individual was not particularly fitted for industrial leadership and that, consequently, industrial leadership was likely to be limited to the upper classes. That state of affairs was, he thought, attributable to the very precarious conditions imposed on such societies by the environment.

8. Not all countries were equally suited for economic development, a consideration for which allowance had to be made in determining the part to be played by industrialization in the economic programmes of under-developed countries.

9. As the establishment or expansion of industry required substantial capital and adequate markets, he agreed with the Argentine representative that the under-developed countries should join together in order to form larger economic units.

10. Development corporations, the growth and operation of which was analysed in the working paper pre-

pared by the Secretary-General (E/2690), currently restricted their activity to certain sectors of the economy for, though originally set up to promote general economic development, they had subsequently been given specific objectives; because of that tendency to specialize, they could not form an idea of the resources which could be furnished by private initiative in some cases. Things would be different if the countries concerned could discuss the advisability of their investments with the foreign countries which were their principal suppliers or customers. The French Government had acted to co-ordinate the development plans of all the territories of the French Union, and its plans took account of the possible formation of a European economic union.

11. Industrialization had far-reaching social implications. The people of the under-developed countries had to be prepared psychologically and technically for an industrial civilization. Direct investments would not benefit the national economy unless they stimulated the demand for local goods and services. Only the prospect of great strides forward in the national economy could provide the incentive for accepting the risks involved in the establishment of a new industry. If an industrial investment was to generate the maximum flow of business domestically, it was essential that the new industry should be able to draw on local labour and local supplies as far as possible. Consequently, the countries concerned had to make a rapid transition from a closed subsistence economy to an exchange economy based on small industry. Small-scale industry would provide monetary purchasing power for the first time in many sectors of the population, and lead to the formation of a labour force which additional vocational training could convert into factory workers. In order to pave the way for that conversion, the under-developed countries should consistently apply their savings to social investments, for otherwise industrialization would be an agent of proletarianization. Social advancement should go hand in hand with economic advancement and the United Nations should therefore not recommend changes which would ultimately operate to the detriment of the individual.

12. The Secretary-General should prepare a list of study topics to enable the Council to establish priorities in its work. He would like the following topics to be included: the relative importance and reciprocal influence of agriculture, industry and trade in the general economic development of under-developed countries; the international redistribution of markets; the division of labour between new and old industries; forms of association and mutual assistance among under-developed countries and between those countries and industrialized countries; and means and methods of preventing the proletarianization of the new industrial societies.

13. Mr. BRILEJ (Yugoslavia) said that the Council's earlier studies had demonstrated that a study of the problems of industrialization was indispensable for the planning of economic development. The authors of the remarkable study before the Council (E/2670) had methodically assembled and analysed a series of important data. There were, however, some gaps in the general picture. For example, the study was primarily concerned with the period between the two world wars, and had not given sufficient prominence to some of the

special features of the economic development during the past ten years.

14. The process of industrialization differed according to the period and country in which it took place. It depended to a large extent on the interplay of social and political forces. Yet all under-developed countries now had some traits in common, and it was the analysis of those traits which should constitute the starting-point of concrete recommendations.

15. Yugoslavia was a good case in point. It was situated in an area which, according to the British Royal Institute of International Affairs, had presented in 1944, all the problems which are relevant to the reconstruction and development of backward areas. Pre-war Yugoslavia had been a typically under-developed country. He cited figures indicating the predominance of agriculture, the low level of industrial production in spite of a wealth of natural resources, the inadequacy of the railroad network, agrarian overpopulation and the preponderant role of foreign capital in the country's small industry. Within ten years all that had changed; the latest statistical data showed that there was a better distribution of the population, a sounder balance between the various sectors of the economy, considerably higher industrial production, radical changes in the structure of foreign trade and a pronounced improvement in the employment situation. That transformation had been made possible only by an accelerated industrialization which had been altogether different from the process described by the authors of the study (E/2670). It appeared that many under-developed countries were following the example of Yugoslavia.

16. The under-developed countries had not only to overcome the various obstacles impeding industrialization or to achieve a so-called "natural" economic development, but also to accelerate the rate of industrialization through Government intervention and State management. The fact was that economic and political conditions had changed throughout the world. Little could be expected from the so-called "natural", "normal" or "balanced" development so long as the differences between the advanced countries and the others produced a permanent disequilibrium which perpetuated inequalities. The disappointing experience of the past century should have taught the under-developed countries the need for drastic measures. Without them, by the so-called logic of things the rich would inevitably become richer, and the poor, poorer, and the gap between them would grow so wide as to make international co-operation impossible. The countries concerned should therefore make determined efforts to accelerate their process of development so as to keep pace with the development of other countries.

17. The same conclusion could be drawn from the study of the domestic economy of under-developed countries. In order to avoid impoverishment, it was necessary to break the vicious cycle of low productivity, small savings and inadequate investment. Furthermore, natural population growth might result in a catastrophe which could only be prevented if considerable progress was made in a short space of time so that higher standards of living might result in a more normal rate of fertility. Those facts and many others, taken together, showed that tangible results could be achieved by an accelerated rate of industrialization.

18. Equilibrium should not, however, be the overriding consideration. Perfect equilibrium amounted, in

practice, to stagnation, since every progress necessarily involved a disruption of the earlier equilibrium. It was in that respect that the processes described in the study (E/2670) differed radically from the process through which Yugoslavia had passed and through which a large number of countries seemed to be passing at the current time. Industrialization could no longer be achieved, as it had been in the past, at the expense of the wage-earners. On the contrary, it should lead to a rapid improvement of their standard of living. The workers now enjoyed equal political and economic rights, and it was the duty of a democratic government to see to it that the process resulted in a real rise of the average standard of living.

19. The authors of the study before the Council devoted much attention to the development of secondary industries. At first sight, it would seem that there was little possibility of acceleration in that field. The main object was to create a truly national economy in each country, and for that purpose transport and power were prerequisites. The problem should not be viewed from too narrow a point of view. The progress of the manufacturing industry was contingent on the prior and proper development of the tertiary activities and the existence of essential basic industries. Those were, in a sense, the pillars of the industrial economic structure and without them the accelerated development of secondary industry would seem impossible.

20. The State had a new and especially important part to play in the task ahead. The State was no longer the umpire, but had become an active protagonist. It had to co-ordinate and plan the efforts, make the necessary saving compulsory by means available to it alone, carry out projects that were socially important but economically unprofitable, and lastly, provide for a general programme to train the necessary skilled labour. That did not mean that there was no place for individual incentive. The State's intervention was essential during the short transition period while the basic industries were being set up; subsequent progress depended on the interest of the producers themselves, who had to be encouraged by incentives. The problem had been solved in Yugoslavia by the establishment of factory councils and of bodies on which the producers were represented.

21. The creation of basic industries required a great capital outlay which in the under-developed countries the State alone could make. Moreover, the establishment of those industries did not promptly result in higher standards of living, of which it was merely the prerequisite. Consequently, the period of accelerated industrialization was accompanied at the outset by a disequilibrium of the structure of consumption and by inflationary pressure which could only be countered by State control. The extent of that control depended directly on the magnitude of the industrialization programme. If capital resources were limited, agricultural production could only be raised at the cost of a reduction in the investment in basic projects.

22. To sum up, the so-called "normal" industrialization process presupposed the existence of an equilibrium, but guaranteed only very slow progress, while the accelerated industrialization process presupposed a temporary disequilibrium. But since such disequilibrium should be only temporary, efforts should be concentrated, not on the secondary economic activities but on those basic activities which would later make a general

economic growth possible. In effect, during the period of disequilibrium, the foundations were laid for a future equilibrium on a higher level of production, productivity, employment and income.

23. The process was not without its dangers. It was tempting to suppose that State management was the best method, not as a transitory measure only, but as a general rule. In fact, stringent control was appropriate only while the obstacles to progress were being removed, after which the economy should find a new equilibrium at a higher level, supported upon the strong pillars which would by then have been erected. That did not mean, however, that a market economy could be re-established overnight. In the initial phase, the new projects exercised a considerable influence: on the one hand, they generated an additional effective demand and on the other they opened up fresh opportunities for employment and economic activities; in short, they changed the economic environment and gave the national economy greater flexibility.

24. The stability of an economy based on the industrialization process would depend largely on the part played by international organizations, including the Economic and Social Council, for the under-developed countries would only be able to proceed with a regulated development if they obtained carefully apportioned assistance. Otherwise, they would be obliged to engage in subsidiary activities which would hamper their progress. International co-operation was thus of paramount importance, and the Yugoslav delegation reserved the right to submit suggestions in that connexion at a later stage. A number of speakers had referred to regional co-operation, a vital matter to which the Council and its regional economic commissions should continue to devote special attention. On the other hand, the problem of the effects of industrialization on foreign trade had not been given sufficient attention. In his memorandum (E/2689) the Secretary-General had mentioned the study made on that subject by the League of Nations. Ten years had elapsed since then. Perhaps the Secretariat could prepare an economic and statistical analysis of the problem.

25. It was clear from the tables annexed to the study before the Council (E/2670) that in the backward areas the irresistible tendency was towards industrialization. In the final analysis that trend would lead to a more harmonious world distribution of production and income and in that way it would contribute towards the fulfilment of the purposes of the Organization. The Council should not merely record that development but also take positive measures to facilitate, co-ordinate and accelerate it.

26. Mr. STIKKER (Netherlands) said that the problem of promoting the economic development of the under-developed countries was so complicated that the Council should avoid both the danger of adopting plans, the full implications of which had not been sufficiently studied and also the danger of losing itself in over-theoretical speculations. In that connexion, he endorsed the remarks of Mr. de Seynes (835th meeting) on the way in which the Council's debate should proceed.

27. When the problem had first been discussed by the United Nations eight years before, it had been thought that it would be sufficient for the purpose of raising their standards of living, to grant the under-developed areas technical assistance. Much had been achieved through the technical assistance programmes, but it had

been realized that they had to be accompanied by other forms of international co-operation. For that reason, the United Nations had been endeavouring, since 1951, to broaden the scope of technical assistance and to find new ways of providing financial assistance through the establishment of an international finance corporation and a special United Nations fund for economic development. It would not be too much to say, as the Netherlands Foreign Minister had done at the ninth session of the General Assembly,¹ that the problems with which the special fund had to deal were as grave as those of war or peace. In 1952, the Council had begun the study of two further problems to which international co-operation might be applied, those of industrialization and the increase of productivity.

28. In the course of those studies, certain ideas had had to be revised. It had been realized, for instance, that agricultural development did not necessarily have to precede industrial development, and that heavy industry should not be stressed at the expense of other industries. The first task now was to complete those preparatory studies and to make their results available to all Governments and peoples concerned in order to prepare the ground for the translation into practice of the recommendations based on them.

29. If economic development programmes were to succeed, the industrialized and the under-developed countries would have to look at certain aspects of the problem in the same way. It should be realized, for instance, that the industrial development of under-developed countries was of importance to the world as a whole, that it was essential to raise the standard of living of the peoples of those countries in order to remove a serious threat to world peace, and that the under-developed countries were perfectly justified in wanting to achieve a better-balanced economy and so to make a useful contribution to the progress of the world. The expansion of the economic activity of the under-developed countries would, moreover, create fresh markets and tend to increase the volume of world trade, which would be of benefit to all mankind.

30. Governments and peoples should also realize that there was no single method of improving the economic situation of under-developed countries. The degree of development and the structure of society varied from one country to another, and economic programmes should therefore be adapted to the conditions peculiar to each country. In the least developed countries it would be impossible to proceed immediately to industrialization. It was necessary first to improve agricultural productivity and craftsmanship, and then to set up small industries using local agricultural and other raw materials. It was only later that secondary industries could be established to manufacture articles previously imported. In the first phase the most urgent need was for the improvement of the economic infrastructure. For that purpose it would be necessary to augment local financial resources by external aid, which could only be provided by an international fund because such a field of investment would not attract private capital nor would it interest such bodies as the proposed international finance corporation or the International Bank for Reconstruction and Development. In the second phase it would be necessary to mobilize local public and private capital.

¹ See *Official Records of the General Assembly, Ninth Session, Plenary Meetings*, 480th meeting.

31. The under-developed countries ought to endeavour to create a psychological climate as favourable as possible to industrial development. Their Governments should prepare their peoples to accept external aid, foreign investment and the application of entrepreneurial experience. In addition, industrial development demanded of the workers an attitude different from that to which primitive modes of production had accustomed them. It also required Governments to provide their workers with the fundamental educational and vocational training necessary for the performance of their tasks. The highly industrialized countries ought, for their part, to place their capital and technical knowledge unreservedly at the disposal of the under-developed countries, even if certain sectors of their own economies might occasionally suffer as a result.

32. Finally, at the international level, technical assistance should be constantly increased; solutions had to be found for the difficult problems of the stabilization of raw material prices and the disposal of agricultural surpluses; the principle would have to be accepted that when underdeveloped countries established new industries they might, for a period, adopt certain protectionist measures; and lastly financial assistance should be given by the international bodies the establishment of which had been proposed.

33. He pointed to the constant danger of inflation which had to be met during the period of execution of development plans, and described some of its effects. If anti-inflationary measures were to be effective, the population had to learn to practise the necessary self-restraint. In that connexion, he recalled the experience of his country which, after being devastated by war, was in 1946 in a position very similar to that of an under-developed country. Thanks to foreign assistance, the Netherlands had been able to launch a programme of reconstruction and industrialization, but in 1951 it had been confronted by a new crisis precipitated by the deficit in its balance of payments. That crisis had been overcome only thanks to the full co-operation of the trade unions, whose members had agreed to a 5 per cent reduction in their real wages as compared with those of 1950. By August 1951 the balance-of-payments situation of the Netherlands had been reversed. The example of the Netherlands showed the importance of the co-operation of the entire population in the tasks of economic development.

34. The Secretariat's studies should enable the Council to adopt a programme of practical action at its twenty-first session. They should give a clear indication of the phase of economic development to which each of the proposed plans applied. That was all the more important inasmuch as the creation of an infrastructure, the first phase of industrial development, required funds which could only be provided by the proposed special United Nations fund for economic development.

35. The Council should also have at its disposal studies of separate branches of industries, showing the prospects of their development not only in a single country but in a region or throughout the world. In that connexion he drew attention to the report prepared by the Food and Agriculture Organization of the United Nations (E/2700) concerning world pulp and paper resources.

36. He hoped that the Council would take his delegation's suggestions into account when it adopted a draft

resolution relating to the economic development of under-developed countries.

37. Mr. ULLRICH (Czechoslovakia) said that the question of the economic development of under-developed countries was becoming increasingly important, for those countries were endeavouring to strengthen their own economic independence and also international economic co-operation. His delegation had always maintained that a country's economic development and economic and political independence could only be assured if it could dispose freely of all its natural resources in co-operation with all its people. The needs of the under-developed countries could be satisfied only if integrated development programmes were undertaken, their economic structure altered, land reform carried out, heavy industry, engineering industries, electrical industries and a transport network established and agriculture mechanized. However it was first necessary to achieve an integrated industrialization, which was the only way of raising productive capacity, improving productivity and so raising standards of living.

38. The under-developed countries should not try to obtain foreign capital but should mobilize their own resources in carrying out their industrialization plans with a view to producing capital goods. Industrial production had, admittedly, increased considerably in India, Indonesia, the Latin American countries and certain regions of Africa, but that development had taken place mainly in the extractive industries, light industries and transport. That state of affairs was due chiefly to the activities of foreign capitalists who had done their best to prevent the development of the heavy and engineering industries, without which economic independence was impossible.

39. He noted with regret that in its study (E/2670) the Secretariat did not take into account the difficulties faced by the under-developed countries in developing their industry. For example, some industrialized countries were reluctant to provide them with the machines and equipment they needed. Similarly, the under-developed countries were being subjected to constant pressure to prevent them from exporting certain commodities to countries with planned economies. Lastly, foreign monopolies repatriated the profits they earned in under-developed countries; that was harmful to the equilibrium and the balance of payments of those countries. In that connexion the publication *Foreign Capital in Latin America* (E/CN.12/360) contained significant figures relating to the profits of the petroleum industry in Latin America. The total capital exported from Latin America between 1946 and 1954 was four times greater than the new investments made in that region. The balance-of-payments difficulties of the under-developed countries, due to such capital exports, were among the factors which hampered their economic development and industrialization. It was therefore unfortunate that the Secretariat had neglected that aspect of the question in its study on the *Processes and Problems of Industrialization in Under-developed Countries* (E/2670).

40. The way in which foreign capital was invested in under-developed countries was in many cases contrary to their interests; through their investments, foreign monopolies exerted constant economic and political pressure on certain under-developed countries. The peoples concerned were no longer ignorant of the facts,

and the under-developed countries should in future fix objectives taking account of internal conditions, for industrialization policies would vary according to national traditions and institutions.

41. The radical changes made in the economic structure of countries with planned economies and their achievements over a relatively short period were well known. Czechoslovakia, for example, had undertaken an industrialization experiment in Slovakia, a relatively under-developed region where the implementation of the first five-year plan had resulted in the creation of a modern industry and a 240 per cent increase in industrial production between 1948 and 1953. In the same period the number of persons employed in industry had increased by 50 per cent and average wages by 47 per cent. Those achievements had been accompanied by the electrification of the country, the development of transport, the construction of schools and so forth. Other peoples' democracies, such as Bulgaria, Romania, Hungary, Albania and particularly the People's Republic of China, had undertaken similar experiments.

42. It would be very helpful to the Economic and Social Council's work if the People's Republic of China was represented in the organs of the United Nations for it had achieved remarkable results in industrialization and integrated economic development and could make a valuable contribution to the solution of those problems. By the end of 1954 its industrial production had risen more than 420 per cent above the 1949 figure. The production of castings and steel had increased by 1,200 per cent and 1,300 per cent respectively. Capital goods accounted for 42.3 per cent of total industrial production as against 28.8 per cent in 1949. The People's Government had decided to base the economic development of China on industrialization and particularly on the expansion of the metallurgical, chemical, mechanical, mining, petroleum and electrical industries.

43. Most of the capital necessary for that industrial development came from internal sources, though the USSR was giving considerable assistance in the form of loans and long-term credits. Despite the size of the investments made for the purpose of increasing the production capacity, the standard of living of the working class had steadily improved. Average wages had risen by 84 per cent between 1950 and 1953. During the same period the purchasing power of the peasants had increased by 76 per cent and, in general, prices had been stabilized.

44. Unfortunately the authors of the Secretariat's study had not tried to study in greater detail the methods of industrialization used in countries with planned economies, where many theoretical and practical studies of the question had been carried out.

45. Discussing the place of industrialization in official plans and programmes (E/2670, p. 68), he pointed out that apart from the iron and steel industry, the industries of the under-developed countries chiefly produced consumer goods. Yet, unless those countries developed their heavy industries, they would be forever dependent on foreign capitalists and monopolies which had no interest in the industrialization of the under-developed countries.

46. He realized that industrialization and increased production went hand in hand with technical progress. His country was participating in the United Nations technical assistance programme to the best of its ability.

He emphasized the completely disinterested nature of the technical assistance provided by the USSR and the peoples' democracies (E/2670, p. 92) under certain programmes.

47. Referring to some passages dealing with international trade (page 75), he said that the stabilization of primary commodity prices and the expansion of international trade under equitable and mutually advantageous conditions were important to the under-developed countries. The Commission on International Commodity Trade should play a prominent part in that field. The countries with planned economies, for their part, were ready to expand their trade with the

under-developed countries. Czechoslovakia would continue to export industrial equipment to those countries, and for that purpose had already concluded agreements and intended to conclude others with Asian, African and Latin American countries.

48. He added that the Council should concentrate on the main factors which played a decisive part in the development of the under-developed countries, notably the influence of international trade. Only in that way could the condition necessary for their economic development—integrated industrialization—be fulfilled.

The meeting rose at 1.15 p.m.