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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, Indonesia, Iran, Uruguay.

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.

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*)

1. Mr. HOTCHKIS (United States of America) said that his country was deeply concerned with the welfare and with an improvement in the standard of living of the peoples of the under-developed countries. That concern had been translated into specific action in 1949, when the United States Government had made the first proposal for what had since become the United Nations Expanded Programme of Technical Assistance. His Government was currently inspired by the same concern. The USSR representative's assertion that the United States placed obstacles in the way of the economic development of under-developed countries was belied by the part the United States of America had taken in the work of the United Nations and by the help it had extended unilaterally and would continue to extend to countries in need of it. The United States was ready to support any constructive effort designed to help the under-developed countries play an increasingly important role in an expanding world economy.

2. The two major studies before the Council (E/2670 and E/2604 and Corr. 1 and 2) ably charted the path towards that goal. While they were not substitutes for efforts on the part of the countries concerned to analyse

and solve the problems peculiar to them, the two studies were most useful in drawing attention to the types of problems faced and in indicating the types of measures to be used in solving them.

3. In the study on *Processes and Problems of Industrialization in Under-Developed Countries* (E/2670), the Secretary-General had wisely concentrated on those aspects of economic growth which had been found to be common to a wide range of countries. The study described some of the most important obstacles encountered and make many useful suggestions for avoiding them, without, however, attempting to provide a universal formula. It was a balanced study in that it never neglected the social and other institutional aspects of industrial development. It performed a real service by stressing that increased productivity in agriculture and mining was a prerequisite for industrial expansion, since the exporting of primary commodities was one of the important ways by which a country could acquire the foreign exchange needed to buy capital equipment. The study also emphasized the need to develop the technical and managerial skills essential to rapid industrialization. In that connexion, private foreign investment was usually instrumental both in the provision of such skills and in the training of local personnel.

4. He had a few minor reservations with regard to some passages in the study. For example, contrary to the explanation given for the relatively small amount of industrial technical assistance to under-developed countries in the past few years, the United States Government, under its bilateral programmes, provided technical assistance to private industry on condition that the benefits were spread over the industry as a whole. Nevertheless, the report was excellent and deserved close study by Governments.

5. The Secretary-General's working paper on efforts towards raising productivity in industry (E/2604 and Corr. 1 and 2) was a useful analysis of the problems encountered in that field. The United Nations and the specialized agencies, in particular through the technical assistance programme, had already done much to increase productivity in a number of countries. Nevertheless, the demand for technical assistance was greater than the supply. The regional commissions and the specialized agencies could exchange much useful information on the subject and help to direct each other's efforts.

6. The productivity centres which had been established in a number of countries had proved extremely useful in introducing new production techniques and in facilitating the exchange of information on the design of products and factories adapted to the area. In some instances, the centres co-operated successfully with local industrial development offices. Moreover, productivity centres established in some industrialized countries had become permanent institutions because they had been very useful in spreading knowledge of the latest industrial techniques.

7. The dissemination of information on methods for increasing the output without large investment was a real need in under-developed areas. For example, with the aid of the United States technical assistance programme, simple and inexpensive methods of producing building materials from locally available ingredients had been evolved and successfully used in various parts of the world. Reports on such technological developments should be circulated to the under-developed countries by way of technical assistance.

8. The key to increased productivity, however, was incentive. No productivity programme would be successful unless the worker was made to feel that he would share in its benefits. He would then be ready not only to accept innovations, but on his own initiative to suggest further improvements.

9. In his own country, workers and employers alike recognized that increased output at lower cost under the free enterprise system was in their mutual interest. Each person would have a larger share of the national income only if the total national income was itself increased. Where the incentive of self-interest was present, higher productivity was one of the most effective ways of providing more and cheaper goods for more people.

10. Mr. JALIL (Ecuador) reminded the Council of the long debates that had taken place in United Nations organs concerning the under-developed countries and of Council resolutions 531 (XVIII) and 532 (XVIII), and suggested that it was high time for the United Nations to take action to help such countries in their industrialization efforts. As the study (E/2670) stated, it would be undesirable to try to find a standard procedure to fit all the under-developed countries. The main impediments to the development of the under-developed countries were the unfairly low prices paid for their exports and the instability of foreign markets.

11. Ecuador was putting into effect a development programme entailing mainly the improvement and expansion of highways, ports, inland water-ways and hydroelectric power. For the time being it did not aspire to industrialization on a large scale, but hoped to set up a considerable number of new industries in order to diversify production. Thus it hoped to free the economy from undue dependence on the prices paid in foreign markets and to produce consumer goods in order to supply the domestic market and enable the foreign exchange thus released to be invested in capital goods.

12. Ecuador had long since enacted legislation which would promote its economic development. There was no discrimination against foreign capital. Foreign capital invested in new industries enjoyed exemption from import duties, consular fees and other levies on machinery, equipment and installations for the production of articles of public utility. Private property was guaranteed by law and there had never been an instance of forcible expropriation. Foreign investors were given every facility for transferring the amortization, dividends and interest on their investments. Political and monetary stability in recent years was an additional guarantee for foreign investors.

13. The development programmes were being carried out almost entirely with domestic funds, as international assistance had been far smaller than the credit

situation of Ecuador warranted. The internal and external debt was extremely small and the fact that it was paid off regularly showed that Ecuador's credit was sound. The natural resources of Ecuador were abundant enough to justify a greater inflow of foreign private capital.

14. Mr. ALFONZO RAVARD (Venezuela) congratulated the Secretariat on the fine documentation it had submitted in particular the study on the *Processes and Problems of Industrialization in Under-Developed Countries* (E/2670). The study rightly regarded economic development as an integral process and indicated that all the social and economic problems to which it gave rise should be dealt with simultaneously. It also correctly pointed out that there was no need for the advanced countries to fear the results of industrialization in under-developed areas, since the process resulted in higher standards of living and greater purchasing power and therefore favoured international trade.

15. While tariffs might have to be introduced to protect new industries, in the case of under-developed countries such a policy would not harm international trade; the quantity of imports would remain constant and only the articles imported would change. That principle had been recognized at the Meeting of American Ministers of Finance or Economy held at Rio de Janeiro in 1954 and at the recent meeting of GATT at Geneva. The case of the industrialized countries, as noted in the Secretariat study, was different; when they imposed tariffs on imports of raw materials, they reduced the quantity of goods purchased from the under-developed countries without replacing them by other goods from the same source, thus cutting down the foreign exchange available to the under-developed countries and seriously impairing their economic development programmes. In the end, the advanced countries themselves suffered because their own exports to the under-developed countries dropped. Consequently, measures to stabilize the flow of foreign exchange to the under-developed countries would be good for international trade as a whole.

16. He also agreed with the view expressed in the Secretariat study that industrialization was more than a technological revolution, and that it involved a social readjustment to which due attention must be paid if the process was to result in the greater well-being of the people. Fortunately, enough experience was available to make it possible for many mistakes to be avoided, but constant vigilance would be required.

17. Industry in Venezuela had made great strides in recent years, owing to the initiative of domestic and foreign capital, the Government's credit policy, the guarantees offered to investors, and protective measures. There had been a marked increase in the output in all branches of industry, but it was worth noting that the industries producing capital goods had far outstripped those producing consumer goods. An important tool of the Government's economic policy was the Venezuelan Development Corporation (Corporación Venezolana de Fomento), a government agency which assisted new enterprises with a view to systematically diversifying the country's economy. The agency did not invade the private sector, but guided and stimulated it, both by extending credit to private enterprise and by putting into effect supplementary programmes, such as the establishment of power plants, which would aid industrial development. One of the most important

projects initiated in Venezuela was the construction on the Caroni River of a hydroelectric plant which would, in particular, supply power for the metallurgical industry. Another important project had to do with the same industry: Venezuela was the world's largest exporter of iron ore, and plans had just been approved for constructing steel plants capable of producing enough steel to satisfy domestic needs. The dredging of rivers and harbours, to make them navigable, had recently been completed, and plans had been drawn for a network of railways, to be constructed over a period of twenty years.

18. His Government was greatly interested in the studies on the manufacture of various chemicals from natural gas, which was being carried out by experts supplied under the technical assistance programme, and was hoping to launch a new industry which would be of great benefit to the people of Venezuela.

19. The PRESIDENT invited the representative of the World Federation of Trade Unions to address the Council.

20. Miss KAHN (World Federation of Trade Unions) said that the World Federation of Trade Unions had always urged the extension of industrialization as a key aspect of economic development, and therefore welcomed the Council's consideration of the problem. Recent events in more than a score of under-developed countries including Ceylon, Cyprus, Rhodesia, West Africa, India, Brazil, Chile and countries of Central America, where workers had fought to better their conditions, showed that they wished to improve their living conditions in order to participate in and contribute to economic development. It was regrettable that the study included comments reflecting the position of the large capital-exporting countries with regard to the peoples of the under-developed countries, such as that on page 40 to the effect that wage rates in the under-developed countries "should be in line with the workers' productivity and the industry's profitability within the under-developed country and not necessarily related to rates payable in the industry in question in any of the more advanced countries". That conflicted with the first principle of wage-setting in any country, which was that obligatory minimum wages should be established by collective bargaining, regulation or law, providing a decent livelihood for all employed persons, urban or rural. To set profitability as the standard of wages would transfer the burden of competition from management to the workers.

21. The reference on page 25 to the difficulties of discharging employees implied indifference to the fact that legislation protecting the employment rights of workers had been enacted in many countries only after decades of exploitation of national employees by foreign firms. A document addressed to the Council, which was committed to a policy of full employment and employment security, should not support a management position directed towards contrary objectives.

22. An under-developed country could not industrialize effectively unless it was master of its own economy, had free access to markets for the sale of its products and for the purchase of capital goods and freedom to trade with whom it chose. Such a country required full economic as well as political independence. Economic independence implied national control of industrial development projects as well as of basic natural resources.

The extent to which foreign-financed and foreign-controlled industrial projects had tended to raise the economic levels of under-developed areas was debatable. Such projects were generally limited at best to the processing of basic raw materials produced in under-developed countries. In recent years industrial enterprises from the more highly developed countries had tended to build or finance and control complete manufacturing units or assembly plants in the under-developed countries, particularly in light industry, consumer goods production and metal smelting and refining. The economic viability of such sub-production plants was not determined by the market within the under-developed country in which they were situated, but by their financial contribution to the parent company's profits. Such enterprises did not contribute to real economic development and frequently militated against the achievement of economic independence. A concrete example was to be found in the history of the oil refinery at Abadan, which, during its entire history of foreign control, had contributed virtually nothing to the economic development of Iran, although it constituted of itself an enormous industrial complex. Industrialization had also been adversely affected by fluctuations in the world commodity market.

23. Industrialization could succeed only if the necessary social measures were initiated at the outset. Raising of living standards could not be relegated to a secondary position. Steps should be taken to guarantee minimum wages, social security, adequate housing and the protection of employment. Respect for trade-union rights was particularly important, since experience in all the highly developed countries had shown that action by the organized working class had been responsible for whatever social and economic progress had been achieved. The introduction of the minimum wage and social security would immediately raise standards of living and lead to a concomitant expansion of the internal market, thus contributing directly to economic development.

24. The General Council of the World Federation of Trade Unions, with 180 members from over fifty countries, meeting in December 1954, had seriously considered the problems of industrialization; its view had been expressed fully in the report by the Secretary-General of the WFTU, Mr. Saillant. In addition to formulating the principles described above, he had concluded that the establishment of the proposed special United Nations fund for economic development and the Commission on International Commodity Trade by the United Nations could lead to great economic and social progress, provided that international policy was directed towards lessening tension, reducing the expenditure for arms and respecting the political and economic independence of every country.

25. The PRESIDENT invited the representative of the International Confederation of Free Trade Unions to address the Council.

26. Miss SENDER (International Confederation of Free Trade Unions) said that both employers and workers in the more developed countries were increasingly aware of the need to help the under-developed countries. The European Regional Conference of the International Confederation of Free Trade Unions had adopted a resolution in October 1952 expressing its willingness to support any genuine effort to increase productivity, provided that all steps were taken in

agreement with the workers' organizations, that the workers were assured of obtaining their full share of benefits resulting from higher productivity and that due regard was paid to the workers' economic security, so as to avoid any increase in unemployment. The trade unions would support the use of new methods of production, provided that no speed-up system was introduced and that an effective policy of full employment ensured the rapid absorption of all workers who had lost jobs owing to technical changes.

27. An interesting further development had been the employers' attitude towards the resolution on productivity adopted by the European Conference of the International Labour Organisation in November 1954. They had recognized its constructive intention and had stated that they would have supported some parts of it, had their amendments not been rejected. That showed that the employers' thinking on that subject had progressed considerably.

28. The main obstacle to rapid industrialization was a rapid increase of population, which reduced the amount of capital available for the purpose and placed the emphasis on food production rather than on manufactures. In overcoming that handicap, young workers would have to be better trained and the mobility of the labour force increased. It was hard to train people for skilled work unless they received a basic general education. In-plant training was often more successful than formal training, but required well-organized factories and competent teachers. For the purpose of technical assistance, skilled workers might be used in order to help the people in under-developed countries to learn production techniques and to act as guides to successful co-operation between labour and management.

29. As the drain on foreign exchange would be considerable when any industrialization programme was put into effect, import and exchange control might be necessary. The imposition of tariffs was not a desirable method. The fear of colonial exploitation likely to be harboured by countries which urgently needed technical assistance and foreign capital must be allayed by a demonstration that the countries supplying them were actuated by considerations of mutual interest, not by a desire to win friends and power by charitable gifts.

30. The introduction of the most modern methods of mechanization was bringing about a second industrial revolution. If it was not accompanied by rapid expansion, technological unemployment must result. Fortunately, the world had learned how to counteract depressions, but that was not enough; growth must be continued. A rise in purchasing power brought about by the Governments' fiscal and credit policies was needed.

31. Steps should be taken to allay the fears of the workers in the under-developed countries that they would work themselves out of their jobs, and that the employers would keep all the benefits of higher productivity. The benefits should be equitably distributed by means of higher wages or lower prices, or both. All factors in production must work in harmony towards ever-increasing well-being.

32. Mr. GREZ (Observer for Chile) congratulated the Secretary-General on his working paper on the evolution and functioning of development corporations

(E/2690). In that connexion, the Council might be interested in the progress achieved since 1953 by the Chilean Production Development Corporation (Corporación de Fomento de la Producción de Chile) in its efforts to raise the country's economic level.

33. In agricultural development, the Corporation was engaged in a programme of mechanization of farm equipment and had developed a scheme of mechanical irrigation. Experimental cultivation of beet-sugar was carried out in an attempt to find a substitute for imported sugar. The first beet-sugar refinery, with a productive capacity of 20,000 tons, had been constructed at Los Angeles at a cost of \$5 million. The Corporation had further established a mechanized farm equipment service for the training of farm workers and had set up a credit system which would enable farmers to import 6,000 pieces of farm machinery. Assistance in the project had been obtained from the Export-Import Bank of Washington in the form of a long-term loan of \$8,700,000. Another loan, for \$2,500,000, had been obtained from the International Bank for Reconstruction and Development, in addition to which private capital in the United States of America had made loans totalling \$40 million. Irrigation projects involving 200,000 hectares of land were under way.

34. In view of the substantial mineral deposits in Chile, the Corporation had proposed the establishment of a copper and gold foundry. A total of 400 million pesos had been invested in the project by 1951. The foundry was currently in a position to process 120,000 tons of mineral ore annually. Investments in mining amounted to 300 millions pesos and had resulted in increasing the value of the country's annual mining production by some \$1 million.

35. The Corporation was also promoting the development of the basic industries of Chile, including the manufacturing, chemical and lumber industries. In that connexion, the International Bank had provided a private corporation with a loan of \$20 million for the construction of two plants, one for the manufacture of cellulose and the other for newsprint, each with an annual capacity of 50,000 tons.

36. By 1952 the Corporation had invested a total of 12,000 million pesos in development projects, of which some 35 per cent, or \$137,850,000 at the then prevailing rate, represented foreign loans.

37. Mr. DE SEYNES (Under-Secretary for Economic and Social Affairs) thanked the members of the Council for their comments and constructive criticism concerning the documents and studies which the Secretariat had provided and to which the specialized agencies had substantially contributed. He welcomed the suggestion that a comprehensive programme of work covering several years should be prepared on the question of industrialization. The Secretariat would then be in a position to contribute more usefully to the Council's work.

38. With regard to the Secretariat study on the *Processes and Problems of Industrialization in Under-Developed Countries* (E/2670), the Secretariat itself had doubted the practical value of such a study, but had undertaken it in accordance with the request made in Council resolution 461 (XV). The study inevitably contained a number of truisms and suffered from several gaps, particularly with respect to techniques

of government planning which had led to more rapid industrialization in some countries.

39. He thanked the Indian representative for his comments (841st meeting) on certain institutional matters in India. The Secretariat would keep his observations in mind.

AGENDA ITEM 9

International assistance to refugees within the mandate of the United Nations High Commissioner for Refugees (concluded)

ELECTION OF FIVE MEMBERS TO THE UNITED NATIONS REFUGEE FUND EXECUTIVE COMMITTEE (concluded)

40. The PRESIDENT invited the Council to elect five countries to be represented on the new United Nations Refugee Fund Executive Committee. It would be recalled that the Council had decided at the 837th meeting that Australia, Austria, Belgium, Brazil, Denmark, the Federal Republic of Germany, France, Israel, Italy, Switzerland, Turkey, the United Kingdom, the United States of America, the Vatican City and Venezuela, as members of the former Advisory Committee, should be represented on the new Committee.

At the invitation of the President, Mr. Loomes (Australia) and Mr. van Braam Houckgeest (Netherlands) acted as tellers.

A vote was taken by secret ballot.

<i>Number of ballot papers:</i>	18
<i>Invalid ballots:</i>	0
<i>Number of valid ballots:</i>	18
<i>Abstentions:</i>	4
<i>Number of members voting:</i>	14
<i>Required majority:</i>	8
<i>Number of votes obtained:</i>	
Netherlands	14
Iran	12
Norway	12
Colombia	11
Greece	11
China	6
Dominican Republic	1
Ecuador	1
Egypt	1
Pakistan	1

Having obtained the required majority, Colombia, Greece, Iran, Netherlands and Norway were elected to the Executive Committee.

The meeting rose at 5.15 p.m.