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Statement by Mr. I. H. Abdel-Rahman, Executive
Secretary of the International Symposium on
Industrial Development, in the Plenary
Meeting of 29 November 1967

Mr. President, this first International Symposium on Industrial Development convenes at a rather difficult period in the modern era of international economic relations between developed and developing countries. Today, there are a number of indications of an erosion of the international economic co-operation and goodwill between these areas that many have laboured so diligently to establish. However, Mr. President, I believe that this period of disenchantment is a temporary phase. The era of political transformation from a world of colonialism to one of sovereign independent states is largely behind us. Under the former conditions, before these political changes, there was often a more clearly definable relation, in terms of expectations, between the transfer of resources to underdeveloped areas and the resultant product from such areas. But few will debate the point that too little of the income derived from that output stayed in the areas of production and that too much found its way to the old metropolitan powers. Now, we are in the early phase of widespread political independence. This situation has generated among peoples and governments of all developing countries new aspirations for

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economic development, in order substantially to improve the standards of living and levels of welfare in the poor regions of the world. In this period of awakening to new opportunities the relation between international economic assistance and co-operation and the economic yield thereof is sometimes obscured and in a number of instances the apparent reward from the co-operative effort has been diminished through mistakes, miscalculations and waste. All see the need for remedial measures.

But, Mr. President, it is my firm conviction that the long run relation between co-operation and benefit therefrom will be very different from this short run situation. I will venture to assert that the distribution of gains from increased international co-operation for the economic development of developing countries, in addition to being vastly more equitable will be ultimately to the advantage of all. I cannot stress this point too strongly: by strengthening international assistance to and co-operation with the developing countries the advanced countries will find that they will be substantial beneficiaries. Only those who think in static terms will consider that international co-operation is nothing but a redistribution of income from a fixed output away from the developed to the developing areas. If one recognizes the dynamics of the process of economic development and the inevitable time lag between assistance and resulting economic growth, one will also realize the futility of the disenchantment to which I have referred. The alternative path to economic development for developing countries lies in an isolationism in which the economic gains will be fewer for all concerned and the political effects of the widening gap between the developed and developing countries will be most unfortunate. An accelerated and more successful industrialization is the most important key to the general advance in standards of living for the peoples of the developing world. Thus far, in international gatherings, the focus of deliberations has generally been on related or more

general facets of economic development. This International Symposium on Industrial Development provides a first opportunity for the international community as a whole - comprising both developing and developed countries from all regions - to engage in a direct and sincere dialogue in depth on the problems of and prospects for the more rapid industrialization of developing countries. This broadest possible exchange of ideas between developed and developing countries on this subject is as crucial, Mr. President, as their joint responsibilities for action.

The current level of attainment by industry in most developing countries is far from satisfactory. This is so, even in the perspective of the early industrialization of some of the now developed countries of the world. And yet, when the industrialization of these countries was still in its infancy in the latter part of the nineteenth century, there were not the advantages of recent revolutions in technology, of the growing complex of international finance institutions, of improved educational facilities, etc..

The recently recorded average annual rate of growth of industry in developing countries as a whole, of seven per cent means relatively little in absolute terms, given the narrow base to which it applies. The volume of manufacturing production in the developing countries, taken as a whole, still represents less than one twentieth of total world production of manufactures. It must be recorded, further, that the bulk of the world's population live in the developing areas. As a result, there is the stark fact that for the earlier part of the Development Decade, while the value of per capita manufacturing production in the developed countries was approaching 600 dollars per annum, the corresponding value for developing countries was close to only twenty dollars. (These values are expressed in terms of U.S. prices in 1958). It

is suggested in the documentation before the Symposium that if the rate of growth of seven per cent which I have mentioned were to continue, it would take developing countries about 35 to 40 years only to reach the present aggregate level of manufacturing output of developed market economies. In the meantime, of course, the developed world would have left their present level far behind.

As to the pattern of industrialization, there are few instances where the development of industry has proceeded as an organically integrated process. Thus, the industrial sector of some developing countries has remained largely geared to the economies of former metropolitan powers. Even in some of the apparently more advanced developing countries, industrialization has taken the form of economic enclaves with little linkage with the rest of the national economy. In most cases the pattern of industrial production has reflected excessive reliance on generally costly local substitution of products for final use which were formerly imported, while low per capita income levels combined in some cases with small populations have not made possible full advantage of economies of scale which has inhibited the development of intermediate and heavy industries.

Mr. President, there cannot be a piecemeal approach to the problem of accelerating the rate of industrialization of the developing countries. A substantial co-ordinated effort on a large front by both developing and developed countries is a sine qua non for industrial progress to have real meaning in the remainder of this Development Decade and in the nineteen-seventies.

In this connection, this Symposium will undoubtedly examine in detail the crucial role of capital formation for industrial growth. It has been estimated that, in the second half of the Development Decade, the average annual dollar investment in the manufacturing sector of developing countries

is of the order of nine billion dollars. These requirements will progressively increase. Mr. President, it is inescapable that most of these requirements will have to continue, even under ideal conditions of international assistance to come from the efforts of domestic savers within the developing countries. The rate of such domestic savings in these countries is, however, limited by generally low levels of per capita incomes. A special challenge before these countries is to secure a most efficient mobilization of potential domestic savings and, further, the most effective allocation of these savings between manufacturing and other sectors of the economy. However, at the same time a substantial inflow of capital funds from the developed industrial countries will be required for some time. This raises a number of issues as regards the forms that financial co-operation and assistance should take and the policies and conditions which should guide their extension and receipt. As regards private investment ways and means should be found to reconcile entrepreneurial motivation with national interest and national development goals.

Mr. President, in this connection I would like to note that, as regards foreign resources for all activities in developing countries in recent years, the developed countries have not met the development assistance target of supplying one per cent of their combined national incomes to developing countries, as set by the United Nations General Assembly as far back as 1960.

Mr. President, a gathering such as this cannot ignore the importance of the problems of malnutrition and hunger which face many developing countries today. The Freedom from Hunger Campaign, launched by the FAO, has done a great deal to bring these problems into sharp focus in the developed countries. Much has been done in recent years through generous contributions of food by some food surplus countries to

alleviate the situation but acute shortages are still prevalent. It should be recognized that such measures of assistance will provide only temporary solutions. In the longer run, the elimination of deficiencies in the supply of food lies in raising the levels of agricultural productivity in the developing countries. This requires a far reaching industrialization of the agricultural techniques. In this respect, accelerated industrialization and the development of modern agriculture are two complementary and mutually supporting processes. The often debated question as to whether a policy of accelerated industrialization by governments of developing countries would conflict with the needs of agriculture merely puts the problem in the form of a spurious dilemma. A vigorous action of modernization of agriculture presupposes the existence of a strong domestic industrial sector capable of delivering some, if not all, of the required agricultural machinery, and of other industrial products such as fertilizers, pesticides and insecticides. Further, productive agriculture is a necessary complement of a growing industrial sector by providing an adequate supply of food to the growing industrial labour force.

Mr. President, among the other aspects of the process of industrialization, I would like to mention exports of manufactured goods. There are several reasons why promotion of such exports is vital as an element of industrial policy. By developing new and diversified export branches, the export position of the developing countries would be considerably strengthened and their economies less vulnerable to fluctuations in the demand for raw materials on which their exports are largely dependent. The development of export markets, either regionally or internationally, would make possible not only more economic operation of existing industries but also the establishment of new industrial branches where there are favourable conditions of comparative advantage. This would provide the industrial structure of the developing countries with a new

dynamism.

Regarding natural resources, many of the developing countries possess large resources of industrial raw materials now generally exported in crude state, whose commercialization on the spot by industrial processing would increase substantially the export proceeds of the countries by the value added in processing. The generalization of this activity, whereby the bulk of industrial processing of raw materials would be relocated from the consuming to the producing countries would not only give a new dimension to industrial development of the developing countries but also imply a new and more equitable international division of labour.

Mr. President, the recently adopted Charter of Algiers has brought to the attention of the international community the United Nations General Assembly resolution which states that the sponsoring body of this Symposium—UNIDO—shall be the competent body to deal with the general and the technical problems of industrialization, including the establishment and expansion of industry in the developing countries. Efforts which are now being made at the present time in other bodies of the United Nations to improve the position of the developing countries in the area of foreign trade particularly as regards exports of manufactures will require a simultaneous vigorous effort in increasing substantially the level and quality of industrial production in developing countries.

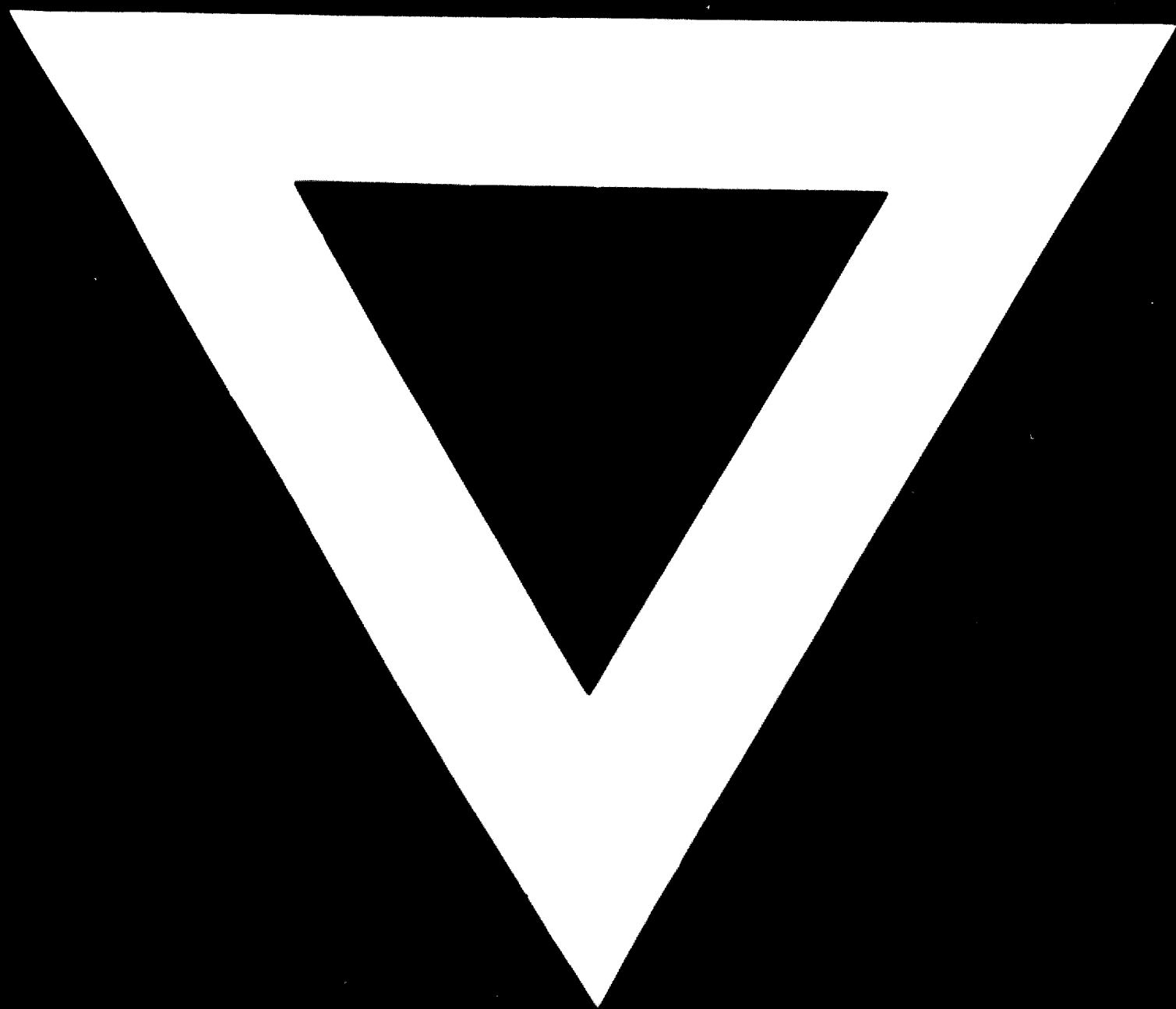
Mr. President: If the agenda of this Symposium appears to be comprehensive, it nevertheless reflects only to a limited extent the vast issues faced by the world today in the search for solutions of the problem of underdevelopment. Looking beyond the Symposium into the future we are confident that the dialogue once initiated will continue and lead to fruitful and constructive results. The mechanism newly established in the United Nations to deal with the problems of industrialization of the

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developing countries, the United Nations Industrial Development Organization, provides, jointly with the other interested bodies, and in particular the regional economic commissions, the appropriate framework for stimulating and strengthening international cooperation in this field.

The Charter of Algiers, Mr. President, has just reminded the international community of its obligation to rectify unfavourable trends in developing countries. While insisting that the primary responsibility for their development rests with developing countries themselves, it stresses the important role of concomitant and effective international action. A dynamic development policy in tomorrow's world cannot be derived solely from "traditional approaches, isolated measures and limited concessions". It is my hope that this spirit will permeate your deliberations in the coming weeks. Thank you.





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