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Industrial Development Board
Second Session

SUMMARY RECORD OF THE FORTY-FIFTH MEETING

Held at the Neue Hofburg, Vienna,
on Monday 22 April 1968, at 9.15 a.m.

<u>President:</u>	Mr. STANDJAT	(Austria)
<u>Rapporteur:</u>	Mr. AGHASSI	(Iran)

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We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.

GENERAL DEBATE (continued)

1. Mr. RICHARDS (Trinidad and Tobago) endorsed what the Federal Minister of Foreign Affairs for Austria had said about the difficulties and vital importance of the Organization's function. Because of that importance, the board had to make the best possible use of the short time at its disposal to find means whereby UNIDO could discharge its mandate; apparently those means were to give it greater autonomy. General Assembly resolution 2152 (XXI) laid down that the Board should consider and approve the programme of activities of UNIDO; but in performing activities deriving from the UNDP, which meant most of the activities, of UNIDO, the Board had at present little option but to accept the decisions of another authority. That situation was clearly due to the Organization's recent creation; but the need to remedy the situation as soon as possible must be kept constantly in mind.
2. Concerning co-ordination of activities in industry, it was encouraging to note that steps had been taken to co-ordinate the Organization's work with that of other agencies concerned with industrial development. The Executive Director had signed notes of understanding with the ILO and UNESCO, and had also started bilateral discussions on the subject with other institutions. Such joint action was certainly desirable; but the Board would be interested to learn what procedure had been adopted to reach those agreements. It must not be forgotten that the Board had to be kept informed of all steps taken between sessions and to be consulted about them. At the Board's first session the delegation of Trinidad and Tobago had been a co-sponsor of a resolution to set up a standing or inter-sessional committee to deal with matters arising between sessions of the Board. The text of that resolution was printed in the report of the first session. It would be opportune to consider once again the establishment of such a committee, which the Executive Director could consult between sessions and which would make both his own work and that of the Board much easier.
3. In document ID/B/22/Add.1, paragraph 14, it was stated: "In the course of 1967, it became evident that a limited assessment of local costs should be imposed on recipient governments in order to be consistent with the Basic

Standard Technical Assistance Agreement entered into with those governments. Effective 1 October 1967, therefore, an assessment at the rate of 12.5 per cent of the total costs of experts' assignments will be levied on countries receiving assistance under the programme". The Board would be interested to learn who had authorized the imposition of that assessment effective from 1 October 1967 (between sessions of the Board), and who had determined the amount of 12.5 per cent. The Board had not been consulted; if it had no say in such matters, there was no reason why it should exist. The Government of Trinidad and Tobago had always supposed that recipient governments should not have to pay a substantial part of the local costs of programmes, since that would deter them from seeking assistance. That view applied to the programmes of UNIDO.

4. Despite the difficulties with which UNIDO had had to contend during the first year of its existence, it had nonetheless managed to achieve remarkable results. It had organized the Athens Symposium and the Board's Second Session with remarkable speed and efficiency. It must continue along that road with equal success. Board members should therefore be extremely circumspect in all their decisions, since any procedure adopted at the present session would set a precedent for the future.

5. Mr. NSANZIMANA (Rwanda) also spoke of the importance of the Organization's function, since its creation had kindled fresh hope in developing countries, especially the poorest amongst them. Those countries were still for the most part agricultural; but they looked to industry to give their agriculture a fresh stimulus, in contrast to what had happened in Europe, where improvement in agricultural productivity had opened the way to the industrial revolution and thereby improved living conditions and increased the population. In the Third World the fall in the death rate due to advances in medicine, public health and nutrition led to a population growth which was already considerable and absorbed all the agricultural resources. Agricultural development had therefore to be quickened to outrun the population growth; the necessary incentive would be supplied by industrialization.

6. It was a mistake to deal with industry and agriculture separately, as was all too often done. The two sectors were in fact complementary; each of them was indispensable to a balanced and co-ordinated economic development. Rwanda

had made full provision for that need in drafting its emergency interim plan, which made industry instrumental to agricultural development. Its industrial-development policy was based on long-term plans and programmes which made full allowance for its physical and human needs and limitations. It was essentially an agricultural country, with a rich heritage which should be put to profit: a fertile soil an equable and temperate climate in which two crops a year of both tropical and sub-tropical products could be grown, large mineral deposits so far un-exploited, a considerable energy potential, and tourist attractions. Its Government was endeavouring first of all to lay down an adequate infrastructure. It was building new and improving existing roads, developing its communications, building up industrial equipment, setting up a development bank to mobilize its national savings, and taking steps to attract foreign investment, which it sorely needed. It was no less concerned to establish advanced technical and scientific institutions and training centres. Such infrastructure was indispensable to the creation of an industry directed towards the promotion of agricultural productivity, the profits of which would finance the purchase of further machinery to consolidate the development of its industry. It gave precedence in its development programme to food-processing industries, to industries necessary to agricultural development, and to industries producing consumer goods to stimulate agricultural output. It gave special encouragement to small-scale industries, since it believed that they had an essential function in any country where industrialization was beginning: they created employment, were well suited to the restricted markets of their countries, encouraged private initiative, technical ingenuity and a practical outlook, and contributed to the formation of the nation's capital and to the growth of a middle class.

7. Rwanda was at present passing through an industrial revolution very closely linked to the modernization and intensification of agriculture; at the same time it was fully conscious of the need to establish industries whose products would have to compete both in quality and price on world as well as domestic markets.

8. Obviously, if Rwanda were to carry through this enormous undertaking, it needed UNIDO. Its delegation reminded the Board that the members of the Athens Symposium had unanimously adopted a number of recommendations, one of which proposed that "UNIDO should formulate its work programme, specifically keeping in view the priority needs of developing countries, especially those which are least developed amongst them....." On behalf of those least-developed countries, of which Rwanda was one, it urged the Board to devote a larger part of the ordinary programme to the least-developed countries, to direct the work of the regional advisors towards the most urgent needs of those countries on the threshold of industrialization, especially towards farming and small-scale industry, and to win for UNIDO far more autonomy in recruiting experts and in managing its funds (including those of the Special Industrial Services). Moreover, the organization should defray the travel expenses of representatives from the poorest countries, and also grant their nationals a more equitable proportion of posts in its Secretariat - which incidentally should use the two working languages, French and English, equally.

9. UNIDO must not betray the confidence of the developing countries. Rwanda had proved that confidence by sacrificing from its extremely limited resources the cost of sending a delegation to the Board, and had been one of the first countries to set up a national committee for UNIDO.

10. Mr. BITTENCOURT (Brazil) reminded the meeting that the developing countries had many times urged the need for a complete reformulation of the norms which had so far prevailed in international economic relations. The retarded economic development of the Third World countries not only threatened world peace and jeopardized their independence, but was also an intolerable injustice. The decisions taken at the second session of UNCTAD, which the developing countries had hoped would open new outlets for their exports, required the implantation in each of them of a solid capital-intensive manufacturing sector. It was thus imperative to provide UNIDO with all the means necessary to modify that international division of labour, proposed by some developed countries, which condemned the Third World to the task of producing raw materials. In other words, UNIDO could not be contented to grant technical assistance to developing countries, or even to be an action-oriented organization. Its main function should be to

devise development strategies adapted to the specific characteristics of each country, and to co-ordinate United Nations activities for industrial development. Unless the new organization laid down at the outset priorities and guidelines both for itself and for the other agencies working for industrial development, it would run the risk of repeating the faults of the former Centre for Industrial Development, which had wasted its resources through lack of precise direction. The Brazilian delegation believed that, if these objectives were to be achieved, the organization's present structure must be modified in favour of much more decentralization. The establishment of regional offices of UNIDO would make it easier to solve problems so complex and specific as to demand scrutiny at regional level. Moreover, the Board should consider setting up inter-governmental permanent committees more specifically a committee to study the national aspects of technical development and full employment of manpower. It could then, basing itself on the recommendations of those specialized committees, discharge its essential duty of co-ordination and control. The Brazilian delegation would later submit specific proposals on those matters during discussion of the relevant agenda item.

11. There was a risk that any decision that the Board adopted during the present session might remain a dead letter if the Organization's financial resources were not augmented. He hoped that all countries, especially the prosperous countries, would participate in the pledging conference for contributions to UNIDO.

12. In the opinion of Mr. PELE (Romania), the interest of the present general debate arose from the need to define more precisely the function of industrialization in the general process of economic growth, which was the soundest guarantee of political independence.

13. In spite of some positive indications, the development of the world economy did not encourage optimism: the rate of economic growth was still low in many developing countries, the terms of their trade continued to deteriorate, and their burden of external debt became heavier and heavier. To abolish those handicaps it was vital to use more effectively every nation's material and human resources and to promote fruitful international co-operation in an atmosphere

of peace and security. This was one reason why Romania had declared that American aggression in Viet-Nam must cease and a peaceful solution be found for the conflict in the Middle East.

14. Though all sectors of the economy must expand in harmony, it was now realized that industry must grow more quickly than the other branches of production of material goods. The mobilization of national resources was the determining factor in development, and the Secretary-General of UNCTAD had emphasized that the measures it required could not be imposed from outside or negotiated internationally. World economic history showed that every country, whether developed or in the process of industrialization, could support the development efforts of other countries and benefit from their experience and support. International economic co-operation must, of course, be based on certain fundamental principles such as respect for national sovereignty and independence, non-interference in internal affairs, and equality of rights to mutual benefit.

15. Romania had based the expansion of its own economy on industrialization, and had succeeded between 1951 and 1967 in raising the average annual growth rate of its industrial production to 13.2 per cent. To appreciate the full significance of this result it was sufficient to remember that at the pre-war growth rate the present level of industrial development in Romania would not have been reached until the end of the century.

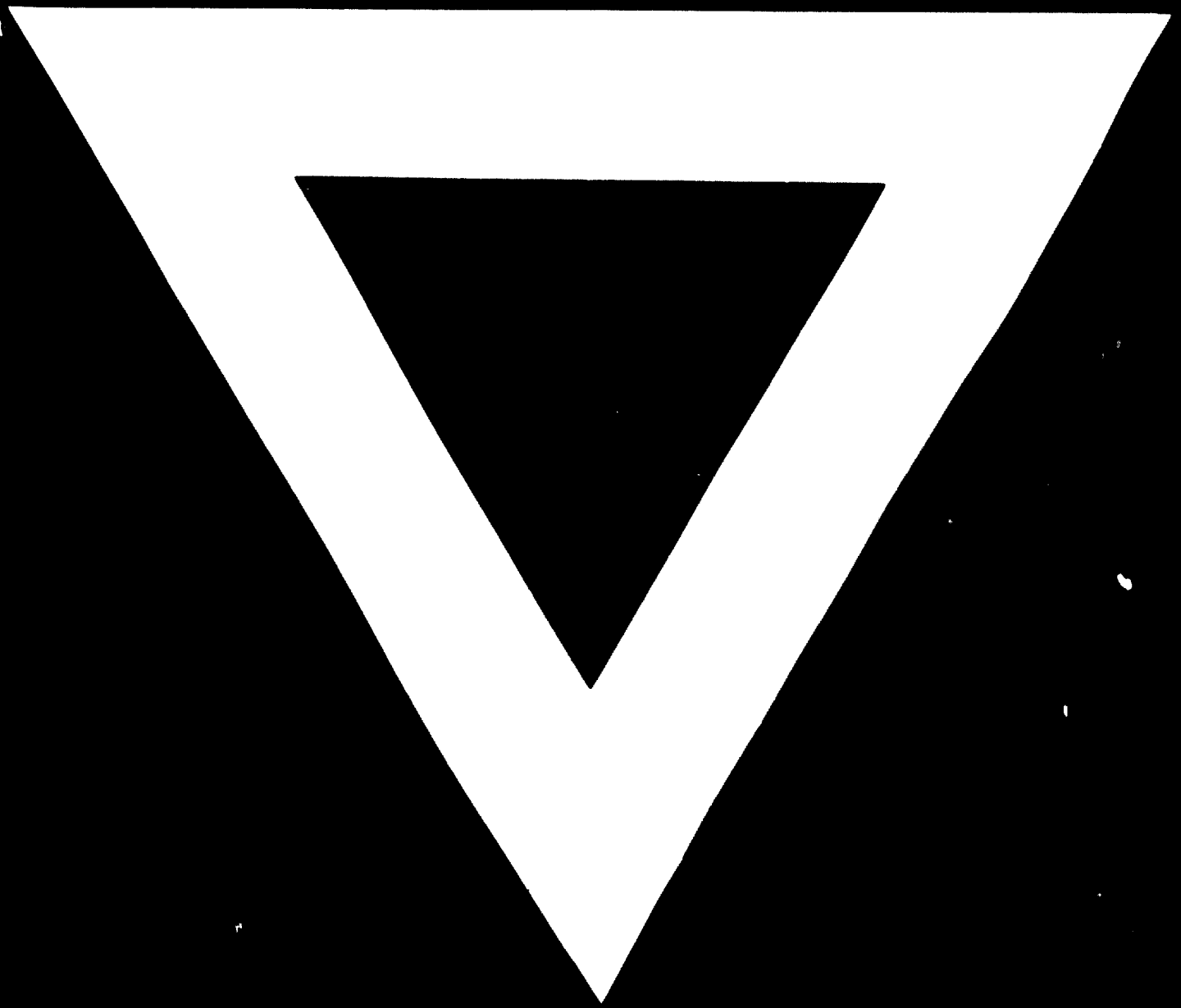
16. Romania was aware that active participation in the international division of labour had become essential to human progress; it intended within the limits of its opportunities to make an increasing contribution to industrialization in the developing countries. For that purpose Romanian experts were helping to exploit oil deposits, and Romania was supplying drilling and extraction equipment and participating in the construction of a number of modern refinery plants. Its co-operative efforts were also directed to the expansion of the chemical and petro-chemical industries, the metallurgical and engineering industries, and others. Romanian undertakings benefited from equipment supplied on credit by their foreign-trade partners, and paid for in their own manufactures or other goods.

17. UNIDO had an essential part to play in promoting co-operation between all countries without regard to their political or social order. To this end it was essential that the People's Republic of China, the German Democratic Republic, the Democratic Popular Republic of Korea and the Democratic Republic of Viet-Nam should take part in the Organization's activities.

18. The Romanian delegation was satisfied with the efforts so far made by the Secretariat to further the aims laid down in the Programme of Work adopted at the Board's first session. In granting technical assistance under future programmes UNIDO must observe the priorities decided by the governments concerned, which alone could properly understand their countries' industrial needs. It should take care not to become a mere employment agency for experts, but should take positive steps towards international co-operation. It could in particular facilitate contacts between interested parties and inform them on the procedure and methods by which that co-operation could be arranged. Training and the use of human resources in economic growth were vitally important. He noted with satisfaction the Executive Director's proposal for the establishment by UNIDO of international industrial institutes for training administrative and technical cadres. His delegation also welcomed the consultations started by the Executive Director with the directors of specialized agencies and the executive secretaries of the regional economic commissions. They could prevent waste of resources and lead to the development of joint programmes. He hoped that UNIDO could find the most suitable means of discharging efficiently its duty to promote industrial development at the international level.

The meeting rose at 10.30 p.m.





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