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**Industrial Development Board**

Second Session



**SUMMARY RECORD OF THE FORTY-FOURTH MEETING**

Held at the Neue Hofburg, Vienna,  
on Friday, 19 April 1968, at 3.15 p.m.

<u>President:</u>	Mr. STANDENAT	(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.

ADDRESS DELIVERED BY MR. PHUOM KITTIVACHORN (PRIME MINISTER OF THAILAND)

1. Mr. PHUOM KITTIVACHORN (Prime Minister of Thailand) said that during the previous two decades the developing countries progressed in economic, political and social development. Some of them had succeeded in increasing their per capita income and had built or strengthened their economic infrastructure. However, the main obstacles to their more rapid growth had not yet been eliminated. Their employment and foreign exchange earnings still depended on a limited number of products. The terms of trade were unfavourable to them; some of their export items were facing keen competition from synthetic products and through the release of stockpiles; moreover, they relied substantially on foreign capital for development. Above all, they suffered from the aftermath of colonialism, under the yoke of which most of them had formerly laboured. Their wealth had been diverted to the metropolitan countries and their markets flooded with metropolitan manufactured goods. Profit and not the well-being of the population had been the motive for anything achieved in them during the colonial era. On the advent of independence they had lacked capital and technicians. Regional and international co-operation were essential to their development effort. They had therefore been gratified at the establishment of UNIDO, which they hoped would make an important contribution to their economic and industrial advancement, on which the welfare of millions of human beings depended.
2. Mr. ARKADIEV (Under-Secretary of Socialist Republics) pointed out that at all stages in the struggle of the developing countries the Soviet Union had consistently defended their interest and supported proposals to the effect that the United Nations should concentrate its attention on their industrialization. The collapse of the colonial system and the rise of about seventy new independent States on its ruins had made it clear that industrialization was one of the basic problems of mankind, being the most important means of raising national productivity and thereby of enabling nations to raise their overall economic and cultural level.
3. In their progress towards industrialization, the developing countries were encountering serious difficulties, largely due to the trade policies pursued by a number of Western powers. The goods produced by their young industries were

prevented from finding an outlet in the markets of the developed Western countries by customs and other barriers. At both United Nations Conferences and in the Algiers Charter, the group of seventy-seven had demanded the removal of those obstacles, establishment of a system of preferential treatment for countries of the Third World, and for wider access to markets. Without such action it was impossible to arrest the process of deterioration in the financial situation of the developing countries; their foreign debts already amounted to one-fifth of their total national income and exceeded their total yearly capital accumulation. The Soviet Union and the Socialist countries, for their part, were doing everything possible to alleviate the position of the developing countries in respect of trade, including conclusion of long-term multilateral and bilateral agreements with them, aimed at stabilization of commodity markets. As a result, in 1967 the volume of trade of the Soviet Union with the developing countries had increased by more than 35 per cent since 1963, while the total increase in Soviet foreign trade during the same period was 25.6 per cent. As had been noted at the second UNCTAD conference, the socialist countries were scrupulously fulfilling the obligations they had undertaken at the first conference held by that organization.

4. The experience of the Soviet Union in matters of industrialization in the developing countries and the technical co-operation between the USSR and the developing countries was of great value in this respect. The Soviet Union had achieved industrialization by its own efforts without any outside assistance whatsoever and purely through the heroic labours of its people. In that connexion it should be borne in mind that of the USSR's half-century of existence 20 years had been taken up with wars thrust upon it and with the subsequent rehabilitation of the national economy, devastated by imperialist and civil wars and by terrible famine. In 1921 the Soviet Union produced four times less steel and ten times less textiles than did India just before it attained independence, yet in spite of this, the Soviet Union had become the second industrial world power, accounting for 20 per cent of the world's industrial production. In many fields the Soviet Union had already caught up with the United States of America and by the implementation of economic reforms had managed to streamline its industry still further, and to improve the real incomes and well-being of its workers, employees, intelligentsia and peasants.

5. The Soviet State had paid special attention to the outlying territories of the former Tsarist Empire, in particular to the Trans-Caucasian and the central Asian Republics which, fifty years ago, were still living in truly mediaeval conditions. There was today no single national republic in the USSR which did not have its own developed manufacturing industry, including the engineering, chemical and electronics sectors. For instance, the Kirghiz Soviet Socialist Republic currently exported a variety of industrial goods to 50 countries. After the Second World War, the development of industry in the Eastern republics was speeded up, and engineering and chemical industries began to appear. In Azerbaidjan, for instance, the oil industry had served as the basis for extensive development of the organic chemical industry (synthetic rubber and fibres, plastics etc.), and a large and complex engineering industry had been set up, embracing electrical, radio and electronic equipment and instrument construction.

6. In keeping with its international commitments, the Soviet Union was sharing the fruits of its labour with developing countries; it had concluded technical assistance co-operation agreements with thirty-five such developing countries and had contributed in establishing 650 industrial enterprises and other installations, including 20 plants and sections for non-ferrous metallurgy, 43 engineering and metal-processing enterprises, 20 chemical and petro-chemical plants, more than 30 electrical power plants and so on. It had also played a part in setting up large industrial enterprises, and, in particular, industries geared towards export. It was significant that 70 per cent of Soviet credits under bilateral agreements were allocated to the industrialization of developing countries in the framework of the public sector. The Soviet Union itself imported goods from those new industrial enterprises and granted wide access to its markets; it should be stressed here that Soviet aid was not accompanied by a demand for ownership or participation in management; the plants built by the USSR were handed over in their entirety to the government of the recipient country. All aid given by the USSR showed positive results. It was pleasant for him, as the representative of the USSR, to hear the voice of the new India, proclaiming its own ability and readiness to supply other developing countries with no less than complete sets of equipment for enterprises in heavy industry. The USSR had effectively helped to make such things possible for India.

7. In helping to train national cadres, the Soviet Union has sent 20,000 experts and specialists to the developing countries since 1957. In the last five years alone, Soviet experts had trained 100,000 qualified workers and technicians in the developing countries alone. Many thousands of specialists from the countries of Asia and Africa were now receiving training in the USSR. The Soviet Union would continue to grant economic and technical aid to the developing countries but that assistance would not consist in distributing specific lump sums; it arose, rather, out of concrete and economically sound proposals for co-operation, which took into account what was feasible within the Soviet Union itself and in the developing countries.

8. The Soviet Union had also played its part in providing assistance through United Nations channels by its contributions to UNDP, UNIDO and other organizations; over the last seven years, 137 seminars, symposia and study tours, in which representatives from 101 countries had participated, had been held in the USSR. As regards the role of UNIDO, the Soviet delegation expressed the wish that UNIDO as the most recently established institution should learn from the mistakes and shortcomings of the Centre for Industrial Development. UNIDO should contribute to the elaboration of scientifically based plans and programmes of industrial development aimed at eliminating the traces of colonialism in the economies of the developing countries and thereby enabling them to attain economic independence. It should encourage the development of key branches of industry, with the help of which the developing countries should be able to achieve the optimum development of a diversified national economy with the maximum mobilization of their own natural, labour, financial and other material resources. priority should be given to the elaboration of industrialization strategies and policies on the basis of current and long-term industrial development planning, taking account of the specific conditions of each country concerned; all projects planned or supervised by UNIDO should be structural stages in the general industrialization plan.

9. UNIDO should contribute to strengthening the public sector in developing countries and implementing a broad and democratic programme of social and economic change, as a prerequisite for successful industrialization. Attraction of foreign public and private capital could be in the interests of developing countries if

it were secured on beneficial terms and without tying them to any political or economic conditions and without being detrimental to the sovereignty of those States.

10. UNIDO should work in close co-operation with the Regional Economic Commissions functioning as a co-ordinating body guiding all other organizations in their work of solving key industrialization problems; it should closely define its own field of competence so as to avoid any duplication of the activities of similar organizations; UNIDO should organize its technical assistance in such a way as to supplement, and not substitute the forces of the developing countries themselves. UNIDO's activities should promote the contribution of funds to assist the industrialization of developing countries, particularly by those highly developed countries who bore a direct responsibility for the economic and cultural backwardness of their former colonies or semi-colonies. UNIDO should call for the economic and industrial rehabilitation of those countries who had been the victims of aggression; above all it should demand that the United States restore what it had destroyed by its monstrous aggression in Viet-Nam. All countries of the world, regardless of their social and economic systems, must be ensured the right to participate in the activities of UNIDO. The Organization should be used in the exchange of industrial development experience among all countries, including the developed countries themselves.

11. The Soviet Union was in favour of allowing UNIDO greater autonomy in the granting of assistance to developing countries in industrial development and wanted the Industrial Development Board to have the right to approve projects to be financed both under the regular programme and out of UNDP funds. It was quite wrong that the majority of UNDP resources, and in particular those of the Special Fund, should be concentrated on financing pre-investment projects, while only 4 per cent of funds went towards industrial development in the developing countries.

12. The Soviet Union was prepared to take an active part in UNIDO's activities and had already drawn up a long-term plan for co-operation with the Organization. That plan provided that the USSR should make a voluntary contribution of 500,000 rubles each year to UNIDO, that a committee for co-operation with UNIDO should be set up, that courses be organized for training experts from developing



countries in industrial planning and engineering, that seminars and symposia should be held, fellowships made available, experts sent to the developing countries and industrial equipment supplied.

13. As regards the shortcomings of the Secretariat, the Soviet delegation felt that it had not devoted proper attention to formulating industrial development strategy and would have done better to determine the priority problems of industrial development on the basis of the real existing situation in the developing countries and of their long-term requirements. Furthermore, the delegation felt that the Secretariat's activities regarding technical assistance should be more closely linked with the national development plans of the respective countries.

14. As regards the Athens Symposium, the Soviet delegation considered that the fact that the Secretariat had insisted on holding the Symposium in Greece, at a time when a military and fascist coup d'état had been perpetrated and reaction was rife had prevented many countries of the world from taking part. This had damaged the international prestige of UNIDO; the Symposium had failed to work out an industrial development strategy. Furthermore, people in the Secretariat appeared to be carried away by propaganda in favour of private enterprise to the detriment of efforts to support and strengthen the public sector and ensure that progressive principles govern the financing of industrial development. While the developing countries were looking towards UNIDO for protection of their interests from the supreme power of Western banks and monopolies, UNIDO's Secretariat had assembled a gathering of capitalist monopolists, in the form of a so-called "Industrial Promotion Service", at Athens at the same time as the symposium; those capitalists were striving to lure the developing countries into their business net. Surely UNIDO should not be turned into a tool to be used by the representatives of the Western monopolies to further their own interests.

15. With regard to the structure of the UNIDO Secretariat, the Soviet delegation felt that it was not suited to the main purposes and the practical tasks confronting the Organization. The absence of a collective leadership, which was widely accepted in the practice of international organizations reduced the effectiveness of its activities; posts of deputy executive directors should be created, to include a deputy director from the Socialist countries. It was, of course, essential to delimit the functions of the various main departments more precisely and to

observe the principle of equitable geographical distribution in recruiting professional staff for the UNIDO Secretariat.

16. Mr. FRYER (United Kingdom) hoped that in future the Board would save itself a general debate, which wasted time because the questions it raised often had to be taken up again in detail when various agenda items came to be discussed. He would limit himself to a few remarks on the place of UNIDO in the United Nations family and on the part to be played by the Board. A more precise definition should be given to the concept of an "action-oriented organization" - a term very often used of UNIDO, which should mean that the great majority of its staff should engage in activities closely bound up with the practical needs of countries in the process of industrialization. In other words, UNIDO should:

- (1) Engage in operational activities financed by the Special Fund or UNDP/TA - and the bulk of the salaries of the staff employed on this work should be met from Programme funds;
- (2) Undertake technical assistance activities financed by the Special Industrial Services Fund and the United Nations Regular Programme;
- (3) Organize and prepare expert group meetings and similar types of "action-oriented" activities; and
- (4) Engage in promotional activities.

UNIDO should not undertake research not directly related to field activities without some assurance that it was not already being conducted elsewhere, and that it was likely to yield practical results in industry.

17. After reviewing the methods of financing the Organization's various activities, he concluded that the Board should examine in detail the Headquarters programme and should also review the operational activities of the Special Industrial Services and the Regular Programme. In regard to projects undertaken on behalf of UNDP, the Board should not examine them in detail but should consider how they fitted into the whole scheme of United Nations industrial development activities.

18. Industrial advisers should be posted as soon as possible to the staffs of the UNDP Resident Representatives, because success of the work of UNIDO largely

depended on correct formulations of requests from developing countries. He hoped the Executive Director could give the Board details of the timetable for postings. It was certainly not easy to recruit competent staff for those posts, and the countries that possessed such expertise should provide the fullest assistance to the United Nations recruitment services concerned.

19. UNIDO in its role of co-ordinator of United Nations industrial development activities should identify overlapping and areas left untouched or insufficiently examined. Steps to be taken on overlapping should be decided at the highest level, and the Executive Director was to be congratulated on his enterprise in consulting the heads of FAO, UNESCO, the ILO and WHO for this purpose.

20. Mr. AWAN (Pakistan) expressed the view that the attempts of developing countries towards industrialization had been seriously impeded by the terms of trade and must therefore be supplemented by more external financial assistance. The Board should endeavour to counteract economic backwardness and poverty by inducing developed countries to change attitudes and practices which harmed developing countries. These countries could not long be content to set up import-substitution industries, for their long-term economic growth depended on export-oriented industries. He hoped that developed countries would give up research on synthetic products and improve the processing and manufacture of natural fibres.

21. In Pakistan's experience of industrial planning, the rate of growth of manufacturing industry had reached 13 per cent by 1965, while its export earnings in that year had been 23 per cent of the total. Economic agreements with Iran, Turkey and Indonesia had given rise to a number of joint industrial ventures and might lead to the establishment of a sub-regional centre for planning and research in compliance with recommendations of the regional symposia. That experience might be of interest to other developing countries and to UNIDO.

22. It was well known that the volume of credits to developing countries would have to be expanded by US\$6,876 million merely to raise the per capita national income by a modest 2 per cent per annum. The Board should therefore perhaps adopt recommendations likely to increase the flow of foreign investment. The Athens Symposium had clearly shown that the developing countries themselves must take the first steps to work out their long-term industrial development programmes and mobilize their own domestic resources. To co-ordinate those national efforts

an annual industrial development programme might be compiled as an integral part of the United Nations Decades. The Organisation's efforts in its own sphere, and international co-operation in external financing, should have the same purpose.

23. As the Executive Director had pointed out, what had been done to date was not commensurate with what remained to be done. The recruitment of experts was not the sole difficulty. Only a very small proportion of the funds committed to continuing programmes was allotted to industrialization; and the established programming system failed to meet urgent needs. He fervently hoped that it might be modified and that the Board would adopt policies to make better use of available resources and to build up confidence in UNIDO.

24. His delegation considered that it would be unwise to reopen the debate on the guidelines which the Board had given the Executive Director at its first session. They might be re-examined later.

25. It was regrettable that the programmes for 1968 and 1969 did not give a clear picture of the relation between the operational and the administrative outlay, nor of the extent to which headquarters activities supported operational activities. He referred to resolution 2370 (XXI) of the United Nations General Assembly on the application of a system of long-term planning and programme formulation by the programme-formulating bodies of the United Nations within their respective fields of competence, and emphasized that consideration ought to be given to measures to implement that important resolution if UNIDO were to have adequate resources for its work financed from the regular budget.

26. He was glad to learn that the Executive Director had developed co-operative relations with other specialized agencies. He hoped that the Executive Director would keep the Board fully informed of progress in that direction, and ensure that the function of co-ordinating agent assigned to UNIDO by the General Assembly were maintained.

27. The Board would have to pay close attention during the present session to the utilization of funds for technical assistance provided from the United Nations regular budget. The Pakistan delegation believed that it would be necessary to define the most effective use of those resources for industrial development lest the regular programme should duplicate UNDP Technical Assistance projects. In regard to the pledging conference for UNIDO which the Board had decided to convene

annually, the Executive Director would have to act at once to induce member States to participate in it and pay contributions benefitting the growing needs of UNIDO. He was glad that various countries had made direct contributions, and suggested that the Board should consider whether those could be tied to certain specific programmes or projects or whether their utilization should be decided by the Board itself.

28. He pointed out that the documentary material on agenda item 10 was rather inadequate, and requested the Executive Director to provide further particulars on the staff employed in each division. The Board could then judge whether the staff had been recruited in accordance with resolution 2152 (XXI), section II, paragraph 17.

29. In conclusion, he asked the Executive Director to inform the Board of the steps being taken to comply with General Assembly resolutions 2218B (XXI) and 2305 (XXII).

30. Mr. TURKUN (Turkey) spoke of the importance of the Organization's task to developing countries which, like Turkey, had given top priority to the industrial sector in their plans for economic development. Turkey would therefore readily support any measure to strengthen UNIDO. One such measure would be to give UNIDO the financial independence without which it could not efficiently discharge its mandate. Moreover, it should also have at its disposal special funds like those which enable it to finance the Special Industrial Services Programme, which was recognized by all as indispensable.

31. Admittedly UNIDO might adopt the system of voluntary contributions to increase its resources; but there would be no use in convening a pledging conference without the support of the countries able to contribute. Intransigent attitudes should be avoided by both developed and developing countries if they were not to be an impasse like that which had developed at the second United Nations Conference on Trade and Development at New Delhi. Moreover, the contention that the developed countries had already contributed enough was open to question, since their contribution amounted to only 0.5 per cent of their gross national product before deduction of repayment of loans that they had granted previously. The developed countries therefore had still something to do; but they were not the only countries which ought to act. The developing countries

should help each other to solve the problems facing them, as Pakistan, Iran and Turkey were already doing regionally.

32. The limited means available to UNIDO had to be used efficiently. Quality should be sought rather than quantity, and resources should not be dispersed, as they had been in the regular fellowship programme for 1969, where limited funds had been spread over too many countries. Turkey wished, with the assistance it expected, to concentrate its efforts on the establishment of training centres to supply the qualified staff without which any development effort would be in vain. The USSR was already helping to implement a project for the establishment of an in-plant training centre for engineers; his country hoped that UNIDO would help it in a similar project to establish a centre to train industrial managers.

The meeting was suspended at 5.10 p.m. and resumed at 5.30 p.m.

#### ORGANIZATION OF THE WORK OF THE SESSION

33. The PRESIDENT informed the members of the Board that the spokesmen of the regional groups had agreed on a proposal to set up two committees of the whole, whose chairmen would be chosen from among the Vice-Presidents of the Board. They would be assisted by the collaborators of the Rapporteur, appointed according to the principle of geographical distribution. The first would study agenda items 4, 5, 7, 9 and 10, the second the other items. They would sit simultaneously. The Chairman of the first Committee would be Mr. Barsama and of the second Mr. Petrov. The Third Vice-President would remain available to replace the President at plenary meetings if necessary.
34. Mr. SIBI (Ivory Coast) pointed out that, since some members of the Board had only one-man delegations, they could not be represented at both committees simultaneously.
35. Mr. FORTHOUE (Belgium) remarked that, contrary to the usual procedure, the Board had not been consulted on the choice of the chairmen of the Committees.
36. Mr. TELL (Jordan), Mr. FORTHOUE (Belgium), Mr. PROBST (Switzerland), Mr. ABDEL WAHAB (Ludan) and Mr. BROBBEY (Ghana) asked what the President meant exactly by the expression 'collaborators of the Rapporteur'. They considered that each committee should have a rapporteur appointed in the usual manner.

37. r. McCORDICK (Canada) and r. KUCHEVITZ (Union of Soviet Socialist Republics) thought that each committee should have five officers so that the five geographical groups were represented. One officer would act as chairman and the other four would constitute a team responsible for drafting the report with the assistance of the Rapporteur of the Board.

38. r. BRADLEY (Argentina) confirmed that interpretation, which corresponded to what the group of twenty-five had decided at its meeting that morning.

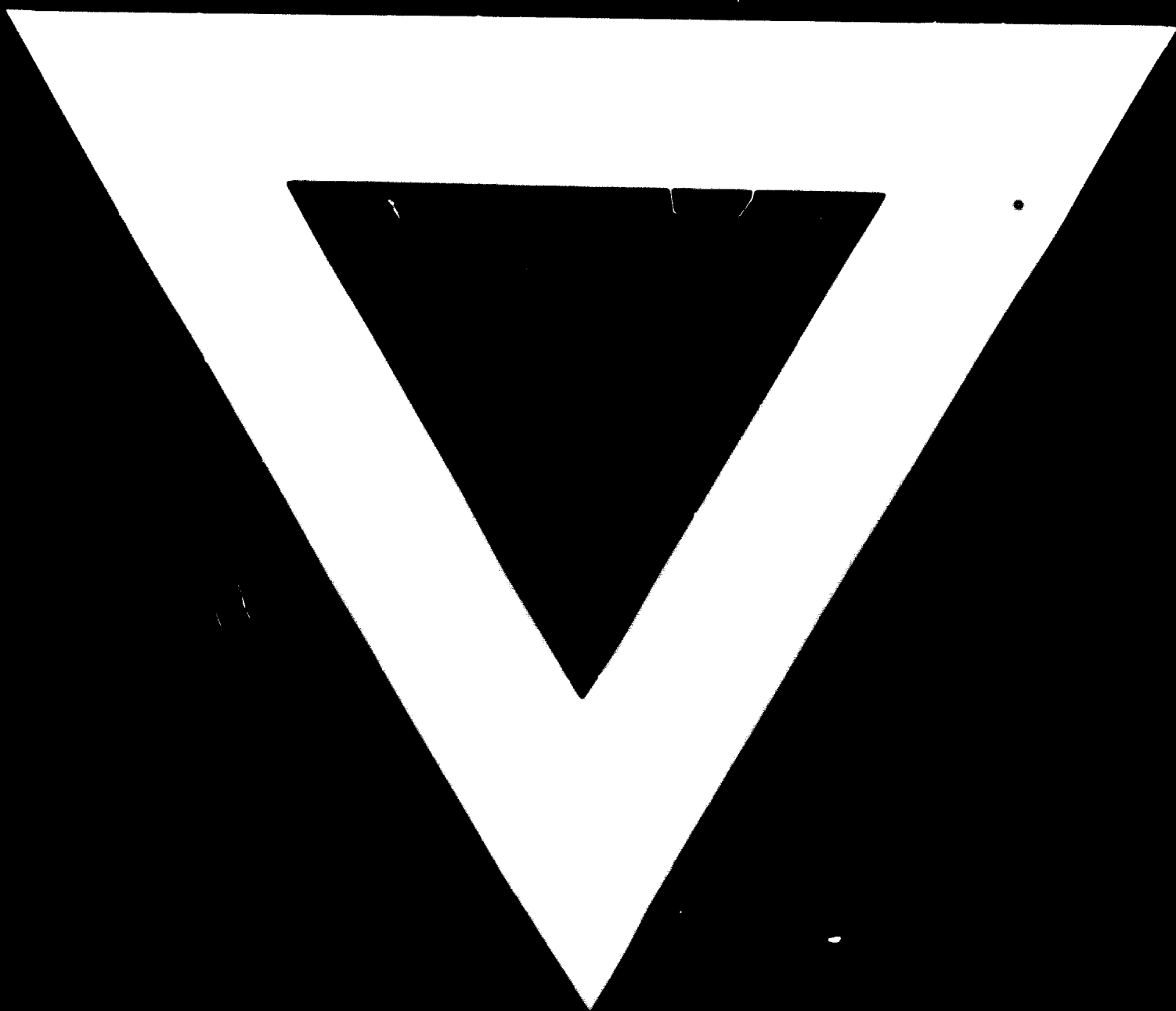
39. r. ACHACHEI (Iran), Rapporteur, added that that scheme had been proposed to avoid the difficulties that would be bound to arise if a Rapporteur had to be chosen among the five geographical groups.

40. The PRESIDENT stated that, if there were no objections, he would consider the proposal he had submitted to the Board adopted.

41. It was so decided.

The meeting rose at 6.10 p.m.





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