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Third Session

Vienna, 24 April - 15 May 1969

SUMMARY RECORD OF THE SEVENTY-SECOND MEETING

Held at the Neue Hofburg, Vienna,
on Friday, 2 May 1969, at 10.40 a.m.

President: Mr. ORTIZ de ROZAS (Argentina)

Rapporteur: Mr. BILLNER (Sweden)

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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 PRINCIPLES (continued)

1. Mr. Robert Kennedy (Cuba) exercising his right of free speech in the statement made during the general debate of the General Assembly of the Organization of American States.
2. Although that statement had been a symphonic performance, conducted with great brio, its lyricism concealed a number of fundamental realities. He would not dwell on the passage dealing with monopolies, which another speaker had already described as ingenuous, but would deal instead with the question of reinvestments. First of all sums reinvested abroad were exempt from taxation in the United States of America. Furthermore, although the proportion of capital exported directly from that country had declined over the years, the resources and undistributed profits of affiliated enterprises abroad had actually risen considerably as a result of increased reinvestment. A fact that had been overlooked was that investments did not create new employment, because they were used for the purpose of taking over existing industries.
3. It had been implied that the developing countries were blissfully unaware of balance of payments problems. Unfortunately they were not only keenly aware of such problems, but also of the fact that their solution was in no way facilitated by the presence throughout the world of "investments" in the form of military bases.
4. He wished that the figures which he himself had quoted could have been more optimistic. But the situation had grown even worse, as was apparent from the deliberations of the recent ECLA Conference at Lima. What had been described there as "the bitter, hard truth of the situation" was only partially redeemed by the conclusion that there had been some favourable changes as a result of multilateral arrangements. And, despite a prophetic warning by Major "Che" Guevara, dismissed at the time as the utterances of a man blinded by political passion, it had been more than seven years - and at what cost! - before a President of the United States of America had pronounced the elegy of the Alliance for Progress, thereby acknowledging that it had failed abysmally.
5. The performance of the United States representative had ended with dramatic appeals for free enterprise and freedom of trade. If the speaker had referred to other freedoms, that of the American Negroes or the heroic people of Viet-Nam, for example, his symphony would have been less unfinished and less open to the suspicion

that it was a thing of sound and fury, signifying nothing. In fact, the statement was nothing more than a Walt Disney "Fantasia" to the strains of "Blue Danube" by the "Vienna Woods".

6. Mr. KOTSCHNIG (United States of America) said that as the general debate had been closed, he had no wish to delay the Board further in its deliberations. He merely wished to point out that actual states of affairs could be portrayed in a distorted fashion through deliberate selectivity in the presentation of supporting data. The previous speaker had developed a musical metaphor. For his own part, and as an economist, he could, if he so wished, submit facts which had been omitted to show that although there might be some measure of flow-back of capital to private and public investors abroad, the developing countries themselves were left with the basis of real industrial development and a real pattern of institutions which would be of benefit to their peoples. The creation of new industries whose output exceeded the value of returning capital, and of increased employment, were but two examples. He could provide others, but preferred not to take up the Board's time in doing so. He urged that its members turn their attention to the more constructive work of strengthening UNIDO's role and rendering it a more effective instrument for the provision of assistance to the developing countries, and suggested that if the previous speaker were still musically inclined, he should spare a moment for the "Ode to Freedom" in "Fidelio".

7. The PRESIDENT said that he had accorded the right of reply in compliance with rule 39 of the rules of procedure. He would continue to do so on occasions which he deemed suitable, but hoped that such occasions would be rare and that speakers exercising that right would make their replies brief and to the point.

CONSIDERATION OF THE REPORT OF THE WORKING GROUP ON PROGRAMME AND CO-ORDINATION
(ID/B/WGPC/2 and Add.1) (continued)

8. Mr. BITTENCOURT (Brazil) expressed concern at the low percentage of projects allocated to Latin America in the programme activities for 1968-1969. He further noted that UNIDO appeared to be paying little attention to heavy and large-scale industries - sectors which should receive more consideration in any global policy for industrialization, in view of the fact that some developing countries were already more advanced than others.

9. Recalling the first two interregional symposia on iron and steel, he expressed the view that it was highly desirable for the third symposium planned for 1973, to be held in a developing area.

10. As his delegation had already had occasion to remark, General Assembly resolution 2152 (XXI) did not indicate that UNIDO should go as far as promoting direct contacts between potential recipients and potential suppliers of finance. He believed that the Organization should limit its activity to providing technical assistance in the elaboration of feasibility studies and in studies designed to identify investment opportunities. Moreover, different countries could benefit from different types of investment; beneficiaries, in selecting investors, should take great care to ensure that the technology which would be imported with investment would be fully understood. True independence depended to a very great extent on national capacity for utilizing acquired technological know-how.

11. Pointing out that the Board only met once a year and for a short period, and that it did not have any inter-sessional organs to prepare its sessions, he urged that documentation should be distributed well ahead of time, to permit proper examination by Governments. Moreover, the Board's function was not to consider in excessive detail projects which were sometimes of limited interest, but rather to disclose general guidelines and seek solutions to those problems which were of greatest importance to UNIDO's future work. For that reason, he suggested that the contents of the documents examined should be reduced and concentrated on matters pertaining to those guidelines and those solutions.

12. * Mr. SERRANO (Chile) agreed with the previous speaker's suggestion that the third interregional symposium on iron and steel should be held in a developing area, and hoped that Latin America would be chosen.

13. Mr. ALEXANDER (India) said that it was not altogether accurate to state that the programme implemented by UNIDO was that which had been approved by the Board, since in fact Board members generally commented on the proposals submitted to them; on the basis of those comments, the Secretariat attempted to determine the general will of the Board and to implement the programme accordingly. He therefore believed he was exercising an essential right in giving his own personal reactions to the proposed programme of work and hoped they would receive due consideration from the Executive Director.

14. His first comment concerned the relative importance attached by UNIDO to its three main fields of activity. From a study of the documents issued at the UNIDO activities in 1971 (ID/B/45), it appeared that 70 per cent of the work was sponsored for the Industrial Technology Division in 1971, whereas 15 per cent was suggested for the Industrial Services and Institutions Division and the Industrial Policies and Programming Division. In his opinion, far greater priority should be accorded to individual sectors of industry, such as textiles, engineering and iron and steel, which UNIDO had so far barely touched upon. It had been explained that the proposals reflected the priorities of member States themselves, as revealed in their requests. He was not sure whether that was the case, since, in practice, requests were frequently sponsored or inspired by the Secretariat. Clearly, if greater emphasis was to be given to the activities of the Industrial Technology Division, additional resources would be required, but he felt that the problem could be solved by reviewing present priorities and reallocating resources.

15. In order to achieve savings, he would propose that low priority should be given to the development of new international industrial transfer institutions (ID/B/44, paras. 26-218). He was also concerned by the apparent lack of co-ordination between the programmes submitted respectively under the Industrial Services and Institutions Division and the Industrial Policies and Programming Division in relation to industrial financing. The proposed activities should be reviewed, with a view to eliminating duplication, and non-urgent projects deferred.

16. With regard to the industrial inquiry service, he felt that great caution should be exercised. There was a danger that the service might be flooded with queries which it would be obliged to deal with on a selective basis. He therefore suggested that the scheme should be launched, initially at least, on a selective basis.

17. India had made a considerable effort in the field of small-scale industries and was very interested in the proposed programme. He had been pleased to note from paragraph 135 of the Working Group's report that the proposal for a floating exhibition had been removed from category A and was therefore surprised to find that a pamphlet had been published concerning a UNIDO ship for industrial investment and export promotion. He hoped the proposal for the second ship was not a repetition of the idea behind the first proposal. While recognizing the proposal as good in principle, he suggested that it might receive lower priority in view of UNIDO's limited funds and manpower.

18. His delegation attached the highest importance to the promotion of exports of manufactures and semi-manufactures from the developing countries, and was therefore disturbed to note from Table 3 of the report on 1968 activities (ID/B/43) that only 0.3 per cent of total funds had been devoted to that activity in 1968. For many developing countries, particularly those in the ECAFE region, economic progress depended on increased exports. He suggested that UNIDO should adopt a regional approach to the problem, concentrating its efforts on the intra-regional flow of manufactures and semi-manufactures and on the organization of production programmes on the principle of complementarity. Such work should be carried out in co-operation with the regional economic commissions, and in particular with ECAFE.
19. Mr. ABDULMANAB (Sudan) said that although the Working Group had performed a valuable service, its report, which merely summarized the views of the various delegations, did not greatly facilitate the Board's task.
20. In connexion with paragraph 81 of the report, he endorsed the view expressed by the USSR delegation that technical assistance should be granted primarily to the least developed of the developing countries and opposed the granting of aid to Israel for the cutting of diamonds and the dispatch of graphic artists. He was supported in that view by the representatives of Nigeria, Pakistan, Kuwait and Somalia. He also wished to make it clear that his own country was not among those which, as mentioned in the last sentence of paragraph 81, objected to the singling out of a particular country in that connexion.
21. Both in the Working Group and the Board some delegations had requested priority for the promotion of exports of manufactures from the developing countries. Sudan felt that at the present stage an absolute priority should be given to assisting the developing countries in the creation of a broader industrial base. The more advanced of the developing countries should be left to promote their exports themselves.
22. He wished to stress the fact that the UNIDO programme was based on the requests sent in by member countries and therefore reflected their wishes and priorities by definition.
23. Reference had been made to the need to give priority to the manufacture of synthetic fibres. His country, along with many others, considered that a dangerous proposal and believed that UNIDO should concentrate on helping the developing countries to utilize their indigenous raw materials.

24. Mr. AMEPOSE (Nigeria) said that, generally speaking, his delegation agreed with the guidelines that emerged from the Working Group's report, but wished to lay special stress on two specific points. As far as training was concerned, the developing countries attached the greatest importance to in-plant training for middle-level personnel. With regard to finance, UNIDO needed additional funds for the establishment of industries in the developing countries. Unless increased resources were forthcoming, the Organization would run the risk of falling short of expectations.

25. Mr. AWAN (Pakistan) said that his comments on certain aspects of the Working Group's report should be regarded as supplementary to his previous remarks. He agreed with other speakers that there was some confusion over the functions of the Working Group and the Board in relation to the adoption of the future programme. He therefore hoped that the Board's general will would emerge sufficiently clearly from the discussion to allow the Executive Director to interpret its wishes correctly.

26. He agreed with the statement made in paragraph 29 of the report that an effort should be made to ensure that UNIDO projects fitted into national programmes as dependent and complementary units. In other words, they should form part of a strategy for global industrial development, based on the priorities established by the developing countries themselves. He also agreed with the proposal in paragraph 30 that all repair and maintenance work should be concentrated within the Secretariat in order to avoid duplication. Since that approach might have repercussions on the structure of the Secretariat, he hoped that the Board would be kept informed of results. He supported the proposal to hold a symposium on repair and maintenance in 1970 and welcomed the recommendation that more assistance should be given in the design and manufacture of agricultural machinery and implements in co-operation with FAO. With regard to electronic industries, he felt that television was an important field for the developing countries and that where national programmes already existed, they should not be neglected. The importance of product design had been rightly stressed in paragraph 35.

27. As for regional co-operation, he fully agreed with the statement in paragraph 39 that Member States alone could finally decide whether they wished to have joint projects with their neighbours. In that connexion he wished to draw attention to the programme of regional co-operation for development between Iran, Turkey and Pakistan,

which had continued to make good progress. It would like to see liaison with UNIDO could be achieved. With regard to fellowships, he would like to see the Secretariat extend its contacts so that every advantage could be taken of the results of advanced technology.

28. He agreed with the statement in paragraph 49 on the need for small-scale plants in the cement industry and drew attention to the importance of adapting the latest techniques in building to local conditions and of providing training in modern methods.

29. It had been stated that UNIDO's work on the development of chemical and pharmaceutical industries should be undertaken in two stages. He had doubts about the wisdom of that proposal, since it often seemed to happen that the first stage never came to an end. In his view, a better approach would be to examine the structure of the industry as a whole in the developing countries, so that its growth could be planned in an integrated manner, paying due attention to the need for international trade. He also believed that there was a need for smaller economic units. He supported the proposal for an expert meeting on the pulp and paper industry, which was a basic requirement for business and educational purposes.

30. He would like some clarification from the Secretariat concerning the queries contained in paragraphs 128 and 129. The proposal for the establishment of subcontractors' exchanges sounded interesting, but the coverage and mode of operation were not made clear. In that connexion he pointed out that the programme of work for 1970 (TD/B/44, para. 313) referred to the formulation of projects but not to a meeting.

31. On the subject of the relationship between industrial planning and programming (ID/B/WUPC/2, para. 142), he informed the Board that Pakistan had set up performance evaluation teams, whose purpose was to study project planning in relation to actual performance. With regard to the promotion of export-oriented industries, UNIDO had set itself a three-point programme: (i) to identify those industries; (ii) to encourage their establishment and to diversify production where excess capacity existed; and (iii) to adopt measures to improve product quality. He supported those activities and was glad to note that they were to receive an increased allocation.

32. He agreed that the survey of the effects of industrialization on manufacturing employment and productivity (paragraph 13) should be expanded to include services, and concurred with those delegations which had emphasized the highly complex social issues involved.

33. In his view, the discussion of the programme as a whole had been somewhat disappointing, while the debate on the financial implications had remained inconclusive. The Board should attempt to express its point of view clearly and allocate specific sums for projects that it approved. With regard to the Second Development Decade, he thought that too much time was being devoted to strategy and not enough to the formulation of programmes. The system of field advisers was certain to develop and the time had come to take a new look at the programme.

34. In conclusion, he expressed his appreciation for the work of the secretariat and wondered whether there might not be some advantage in leaving co-ordination work to be dealt with directly by the Executive Director. In addition, it might be of assistance to the secretariat if the conclusions of the Working Group and the Board were set forth in a list.

5. Mr. ARKADIEV (Union of Soviet Socialist Republics) said that the secretariat should draw concrete operational conclusions from the views expressed in the report of the Working Group. During the Group's meetings his delegation had stressed the importance of elaborating a strategy of scientifically based plans and programmes for industrial development in the developing countries. That did not mean, however, that UNIDO should be transformed into a scientific research institute and thereby place less emphasis on concrete operational activities. Its task was not to impose policies and activities on the developing countries, but to assist them at their request to prepare their own development programmes and solve problems connected with determining an optimum industrial structure, by developing key branches of industry on the basis of the maximum utilization of domestic resources, reduction in the volume of imports, export promotion and the installation of plants for processing commodities produced domestically. Development of any one branch of industry must be well thought out. Whenever the Union of Soviet Socialist Republics received, for instance, a request for the construction of a plant in another country, studies were undertaken to ensure that it was economically justified and really needed. UNIDO might usefully adopt a similar approach and act as an organ which, by basing itself on the experience of countries with differing socio-economic systems, could establish contacts between requesting countries and countries with experience in the particular branch.

36. The Commission should continue to study the problem of the industrialization of the developing countries, and the Commission should continue to study the problem of the industrialization of the developing countries, and the Commission should continue to study the problem of the industrialization of the developing countries.

37. The Commission should continue to study the problem of the industrialization of the developing countries, and the Commission should continue to study the problem of the industrialization of the developing countries, and the Commission should continue to study the problem of the industrialization of the developing countries. The Executive Director should consider seriously the possibility of drawing up a comprehensive plan for increasing industrial production in these countries, on the basis of specific requirements. UNIDO's aim should be to assist the developing countries in elaborating scientifically based plans for industrial development so that the last vestiges of colonialism might be liquidated and the economies of the developing countries helped towards genuine independence, in developing and strengthening the State sector and in reinforcing the planning which should be a foundation of industrialization, in preparing national industrial cadres, and also in taking steps to contain the flow of qualified specialists away from these countries.

38. That flow posed a particularly acute problem. Statistics published in Latin America, for example, bore witness to the considerable outflow of technicians to the north, lured by higher salaries and other attractions. In view of the enormous expenditure on the training of such specialists, such a situation represented unexampled robbery of the developing countries. Concrete steps should be taken to remedy the situation, for example through the adoption of a resolution or even a discussion of the problem in the General Assembly.

39. The achievement of industrialization targets depended to a decisive extent on efforts by the developing countries themselves to mobilize their own human, financial and natural resources. Help from outside, including the technical assistance provided by UNIDO, was no substitute for the efforts of the countries themselves, but should complement those efforts in a sensible and intelligent manner.

40. With regard to foreign investments, UNIDO should not become the servant of private capital, acting as its intermediary with the developing countries. Various groups of countries were represented on the Board, and the need to take account of the experience of countries with different social and economic systems had been stressed in General Assembly resolution 2152 (XXI). The statement by the secretariat that it did not discriminate between different sources of financing (ID/R/WGFC/2, paragraph 161) was somewhat disquieting. Practice showed that such discrimination did exist, and the developing countries had experienced it for themselves. UNIDO's investment promotion activities should be primarily aimed at promoting investments from internal sources and at strengthening national investment efforts. In promoting investments from external sources, the organization should strive to improve the conditions of external financing, and to protect the interests and national sovereignty of the developing countries against excessive claims by foreign private capital and monopolies.

41. Co-operation between the developing countries themselves was an important problem. Development efforts undertaken by a group of countries could lead to success where a single country would have achieved nothing. The establishment of regional economic groupings was one of the means by which the developing countries could protect themselves against powerful foreign competitors.

42. Mention was made in the report of the desirability of greater operational independence for UNIDO. In the view of the Soviet delegation, UNIDO should make greater efforts to prepare well thought out projects for submission to UNDP. The fact that UNIDO received insufficient funds from UNDP could be partly explained by UNIDO's failures so far to prepare really detailed and carefully elaborated projects meeting the true needs of the developing countries. The effectiveness of the secretariat's activity could be improved through the avoidance of duplication, through improvement in the qualifications of staff members and through steps to improve the organizational structure of the secretariat. It was also necessary to pay greater attention to the use of voluntary contributions to UNIDO. The Union of Soviet Socialist Republics had participated in the first Pledging Conference for voluntary contributions to UNIDO, and would continue to provide the organization with support through its contribution in the future.

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43. The first development plan, drawn up by a distinguished group of specialists and well-founded economists, had been drawn up for implementation. There was good reason to think that the same list would befall the Second Development Decade. The socialist countries were not represented on the Preparatory Committee set up to initiate the work on the Decade, and the same will hold true. It was obvious that there was absolutely no chance of preparing a successful programme for the Decade without the participation of such a large group of countries. The Economic and Social Council was the main organ which should serve as a focal point for work in connexion with the preparation and implementation of the Decade.

44. The peace and security of the whole world were essential prerequisites for the success of any development programme. Enormous sums were being spent on armaments, and even the developing countries were being drawn into that vicious circle. The successful achievement of the aims of the Second Development Decade could be assured only if the international situation was normal, if peace was strengthened throughout the world, and if all States, large and small, continued the unremitting struggle for general and complete disarmament. It was also necessary to secure observation of the principles for international trade agreements laid down at the first United Nations Conference on Trade and Development, held at Geneva in 1964. He called attention to the fact that all the States which had been victims of colonial exploitation should be entitled to compensation from the former colonial Powers for the harm which their economies had suffered under their rule. For many hundreds of years the natural and human resources of the developing countries had been exploited, and in some of the countries, traces of neo-colonialism were still evident. The developing countries deserved compensation from those who had exercised colonial rule; the United Nations should calculate the damage inflicted by each colonial Power on its former colonies, and take appropriate steps to secure compensation. New additional resources could and must be made available to the developing countries from the profits made by private capital invested in them; several of the countries had, for example, succeeded in receiving royalties amounting to 50 per cent or more of the profit made by oil companies. Without serious consideration of all those major social, economic and political problems, no viable strategy for the Second Development Decade could be drawn up.

The meeting rose at 1.10 p.m.





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