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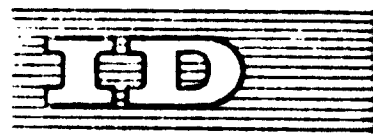
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STATEMENT PRESENTED BY THE REPRESENTATIVE OF THE INTERNATIONAL CONFEDERATION OF FREE TRADE UNIONS (ICFTU)

The ICFTU representing millions of organized workers of the world, conveys its best greetings to the present meeting of UNIDO. May we state, that the world stands on the eve of the Second Development Decade and the Board of UNIDO shall have to discuss the industrialization strategy for the next years ahead. May we emphasize that the ICFTU was not only a major force behind the ILO World Employment Programme, it was also supporting all efforts of UNIDO for establishing a rational industrialization policy. In this connexion the ICFTU has made many statements on the question of industrial development, and came to the following conclusions.

Industrialization is the most dynamic factor in economic development. With very few exceptions, such as Denmark, Australia and New Zealand, it was through industrialization that the most developed countries have risen to their present wealth. In the developing countries, industry must sooner or later become the most powerful motor of economic and social progress. Although no efforts should be spared to improve the primary production of these countries, the slow growth in import demand of the advanced areas for most primary products has disproved the earlier views according to which national specialization in primary production could raise the national income as effectively as industrial development.

The industrialization policy of each country must be adapted as much as possible, especially at the early stages, to the specific characteristics of that country (the size of its territory and population, geographic situation natural resources, traditional skills, culture, accumulated capital, etc.). However, the

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basic economic and social objectives of industrialization should be the same in all developing countries: in the economic field, industrialization should aim in the long run at achieving a balanced and diversified industrial structure, similar to that of the advanced countries where each of the main branches of industrial production is represented, and in the short run at promoting such industrial pursuits as would give an impetus to the necessary change in all sectors of national economy; at the same time, industrialization should promote social progress, democracy and freedom of the citizen.

Striking the balance between these fundamental economic and social objectives is one of the most difficult tasks of an industrialization policy. Yet it is the only way to ensure that present industrial ventures will not hinder future ones and will even create favourable conditions for them. Infrastructure, speedily growing markets for manufactured goods, efficient methods of mobilization of internal and external financial resources, fair labour standards, housing, social welfare services and rapidly growing wealth of industrial skills are the most important among such conditions of further growth.

In the case of the developing countries, it is particularly important to insist on such a forward-looking orientation of industrialization. These countries did not embark upon industrial development from a situation in which domestic demand for and domestic output of manufactured goods were in balance. In its early stages, their industrialization largely consists in expanding output to meet existing domestic demand previously met by imports. This creates the danger of the development of industrial production becoming to a certain extent independent of any expansion in demand for manufactures as determined by the growth of domestic income and domestic expenditure. Thus oriented, industrialization would fail to fulfil its dynamic role with respect to the whole national economy.

The fact that even the simple shift of manpower from agricultural to industrial pursuits can raise the real productivity (i.e. the average real value produced per man-hour worked) of the whole national economy engenders a temptation to concentrate heavily the available investment capital on the establishment of modern industrial plants, without taking care of the other economic sectors.

However, such a method of expediency yields results more spectacular than real. A rapid growth of overall productivity cannot be sustained unless productivity grows simultaneously in all circles of life. A speedy and continuous industrialization requires increasing productivity in agriculture for the purpose of providing manpower and raw materials for industry, food for the industrial workers and markets for industrial products. Unless this involved relationship between industrial and agricultural development is taken into account in national economic policies, an ever-widening gap appears between new industries and the neglected agriculture. Such a gap is not only socially harmful, it also hampers progress in the industrial sector itself. Among other things, it creates a conflict between the endeavour to create employment opportunities and the endeavour to raise the level of wages in industry: while an expanding food production can easily meet much of the additional demand thus created, stagnating agriculture engenders inflation through a widening gap between the effective demand and the supply of consumer goods.

Industrialization is not just a matter of establishment of factories, but rather a very involved process resulting from a considerable number of factors within and without the industrial sector. This is clearly illustrated by the following fact: as industry grows beyond its very first stages, the share of intermediate goods in total manufacturing output increases rapidly and this is mainly due to the growing demand of other economic sectors (agriculture, construction, transport, etc.) for such intermediate products; indeed, industries manufacturing such intermediate products as fertilisers, insecticides, cement, other building materials and petroleum products absorbed outside the manufacturing sector, have been among the most dynamic in the recent experience of many developing countries.

In most cases, the developing countries' choice of industries is severely limited by the shortage of investment capital, both internal and external. A project which immobilizes too big a part of a nation's liquid resources for too long a time will put a brake on its whole economic life, even if it seems to be economically sound.

Social progress is one of the fundamental aims of industrial development. Therefore, industrialization should not be pursued by means that are incompatible with this aim. Rapid economic development could not be sustained without a thoroughgoing transformation of the present social structure of the present social structure of the developing countries which is obsolete and disintegrating and which severely rostrains the freedom of the citizen. Industrial development creates means of making the transition to modern society speedy and painless. But it does not itself promote such social progress automatically. Although it ultimately benefits from social progress, it rather tends, if it is left to its own intrinsic dynamic, to create inhuman hardship and exploitation. It is therefore vital that purposeful social policies become part and parcel of the industrialization policy.

Industrialization policies should strongly take into account the need for a rapid expansion of employment. This may well generate the development of labour-intensive industries. However, developing countries should not be prevented by these considerations from building up such industries as are best suited to local conditions, inclusive of those which in the advanced countries are capital-intensive. There is no clear dividing line between labour-intensive and capital-intensive industries. With the progress of industrialization, industrial branches keep moving from the first category to the second; when transplanted into developing countries, they can be adapted to their specific conditions in such a way as to move somewhat back from the second to the first. Indeed, with respect to the need to draw more and more people into industrial employment, the choice of production techniques is as important as the choice of industries. In any given industry, some of the most advanced techniques may be disregarded in the developing countries without any damage to productivity, especially when these techniques have been developed not in order to improve the quality of the product but for labour-saving purposes.

The fact that in developing countries experienced and skilled labour is as scarce as investment capital engenders a temptation to utilise techniques in which technological knowledge is so to speak already embodied in the equipment, and which automatically enforce a high level of technological discipline. It is

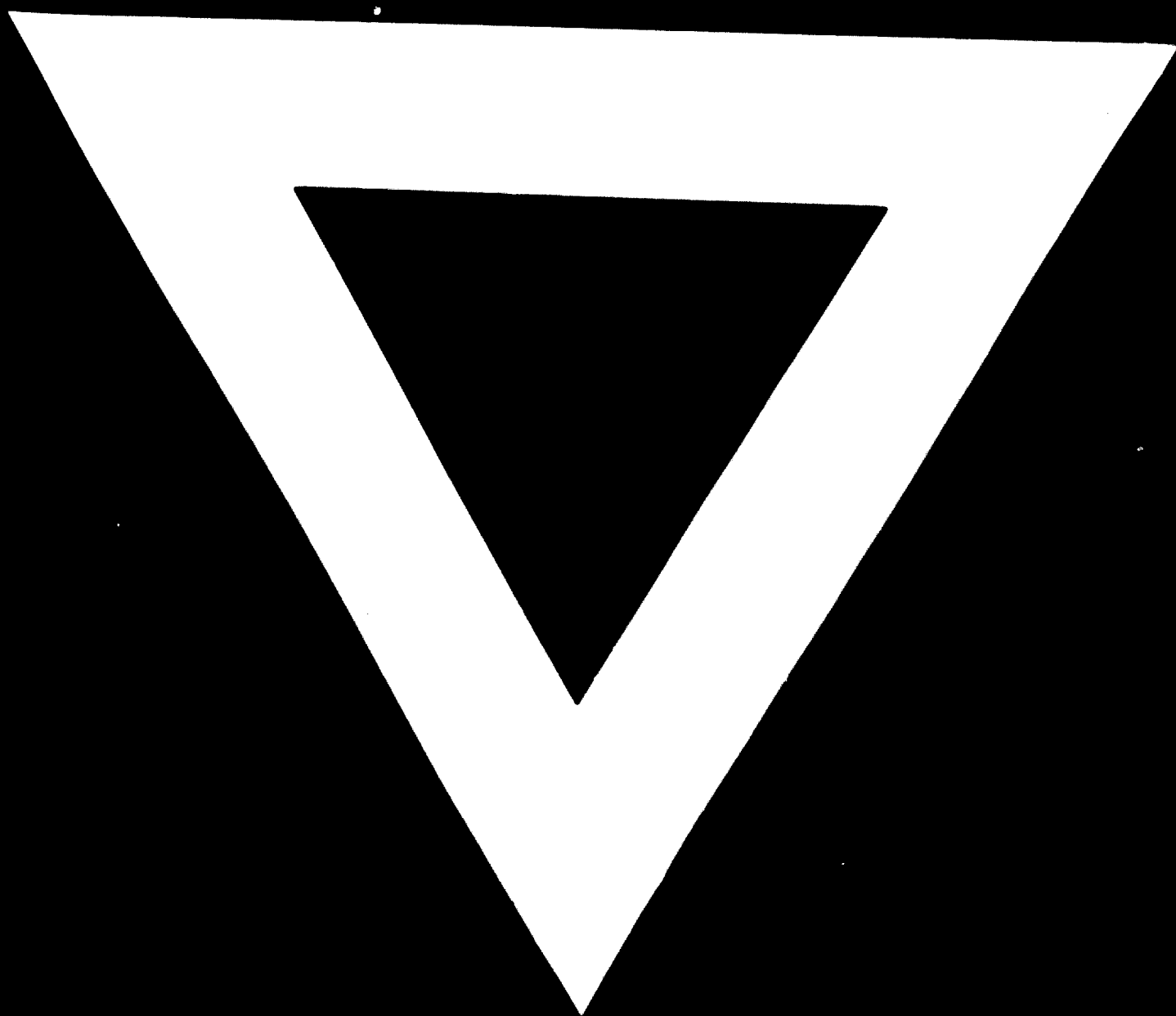
sometimes felt that such techniques might be advantageous for developing countries because that would enable them to achieve high standards of quality and productivity without spending money on vocational training, the improvement of labour relations, higher wages, etc. However, this would be the most dangerous course of industrialization which would not only dissociate industrial development and social progress but also insulate modern industries within the national economy, so that they would not further develop in other sectors. We know that the question is under the responsibility of ILO, but UNIDO should press for manpower training, before industrialization too.

In connexion with all efforts of industrialization the demand for a "third technology" is evident. Here we mean that the need for a labour-intensive technology is evident to us, it is far less so in other quarters. Particularly employers in developing countries still tend to believe that the introduction of the most modern machinery and automation techniques is the one sure short-cut to achieving high standards of quality and of raising efficiency and productivity without having to spend too much money on higher wages, vocational training of staff or the improvement of industrial relations. They must be shown that this is a fallacy: even from a purely economic point of view it does not make sense to import very costly, complicated and delicate machines together with their highly-trained - and highly paid - maintenance staff, while neglecting the one advantage which is usually available in developing countries: an abundant supply of labour. However, this argument only holds water if it can be clearly shown that better and cheaper results can be obtained by a judicious training and employment of that labour force.

Governments in developing countries, who for prestige reasons are apt to favour the development of a few highly spectacular hypermodern industrial undertakings should be made to realize that such projects cannot make much difference to the national economy and will, at best, only employ a small proportion of the national labour force; that it is, in fact, far more in their interest to create opportunities for giving productive employment to the great mass of the population. By making use of idle hands they can encourage the growth of an internal market and give an important impulse to economic development, while, on the other hand, unemployment breeds frustration, dissatisfaction and political radicalism threatening the internal order.

Finally may we thank the UNIDO for its efforts to integrate trade unions on national levels into the UNIDO national branches. The ICFTU is prepared to advise its affiliates in developing countries to join these UNIDO branches. In regard to special points laid down in the UNIDO reports may we raise our voice again. Our best wishes accompany all discussions of the UNIDO Board, because we know that the proposed programmes of UNIDO will help to overcome social distress and economic problems in developing countries.





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