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Regional Symposium on Industrial Policies
and Strategies for Internally Self-
sustaining Development and Diversification
and Collective Self-reliance, 1978-2000

Sponsored by: ECA, OAU and UNIDO

Nairobi, June 1979

THIRD GENERAL CONFERENCE OF UNIDO:
PREPARATIONS IN THE AFRICA REGION */

Note by the UNIDO Secretariat

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I. INTRODUCTION

1. The Third General Conference of UNIDO is scheduled to be held from 21 January to 8 February, 1980, in New Delhi, India. The General Assembly requested the Industrial Development Board of UNIDO to act as an intergovernmental preparatory committee for the Conference. At its Eleventh Session, the Board, in connexion with the initial discussions on the provisional agenda, invited the Regional Commissions and the forthcoming regional meetings to make suggestions, which would be taken into account by the Board in its further discussions at its Twelfth Session.

II. FOURTH CONFERENCE OF AFRICAN MINISTERS OF INDUSTRY

2. Accordingly, the Fourth Conference of African Ministers of Industry, held in Kaduna, Nigeria from 22 - 25 November, 1977, agreed that the African regional preparations for the third session of the General Conference of UNIDO would be finalized at its own fifth session. It further noted that the Follow-up Committee on Industrialization in Africa would, at its fifth meeting, make recommendations on the preparations for the Third General Conference of UNIDO for submission to the Conference at its fifth session during the second quarter of 1979.

3. Recalling, inter alia, resolution 319 (XIII) of the Fourth Conference of Ministers of the Economic Commission for Africa, assigning to the fourth and fifth Conference of African Ministers of Industry the task of defining the common African position for the Third General Conference of UNIDO, the Fourth Conference of African Ministers of Industry adopted a resolution concerning the preparations for the Third General Conference of UNIDO (resolution 7 (IV)). The Conference of African Ministers of Industry recommended in this resolution that "UNIDO, OAU and ECA consider and convey to member States suggestions for a common African position for the Third General Conference of UNIDO and that they arrange effective consultations with African experts in preparing these suggestions, which should be formulated on

the basis of, inter alia, the following guidelines:

- (a) Elaborate specific proposals for strengthening the bargaining position of African countries on the greater domestic processing of African industrial raw materials;
- (b) Submit further proposals for strengthening the ongoing system of international industrial consultations including the modalities and links of such consultations to consultations at the regional level in the light of Resolution 5 (IV) adopted by the Fourth Conference of African Ministers of Industry;
- (c) Elaborate methods and approaches for mobilizing financial resources for industry commensurate with the size of industrialization envisaged by the Lima target for Africa;
- (d) Outline proposals for effective training programmes and projects to develop the industrial manpower needed for future industrialization in the continent;
- (e) Formulate practical methods and arrangements for promoting and developing intra-African co-operation in the field of industry including the African multinational enterprise approach adopted by the Second Conference of African Ministers of Industry;
- (f) Propose viable methods and frameworks for strengthening international co-operation at the enterprise level as well as on a Government-to-Government basis, and redeployment programmes;
- (g) Develop new and innovative programmes of assistance and means of mobilizing resources for the LDCs commensurate with the needs of these countries having in mind that the majority of them are in Africa;
- (h) Further review frameworks for international co-operation and especially co-operation among developing countries in the choice, acquisition and development of industrial technology in line with Resolution 6 (IV) adopted by the Fourth Conference of African Ministers of Industry."

4. The Fourth Conference of African Ministers of Industry entrusted ECA, OAU and UNIDO with the task of submitting the report of the African experts referred to in previous paragraph to the Follow-up Committee on Industrialization in Africa at its fifth meeting (held in Addis Ababa from 8 - 10 November, 1978), and decided that the fifth session of the Conference should be convened in Kampala during the second quarter of 1979 for the purpose, inter alia, of finalizing a common African position for the Third General Conference of UNIDO.

III. REGIONAL SYMPOSIUM ON INDUSTRIAL POLICIES AND STRATEGIES
FOR INTERNALLY SELF-SUSTAINING DEVELOPMENT AND DIVERSIFICATION
AND COLLECTIVE SELF-RELIANCE DURING THE PERIOD 1978-2000

5. The Fourth Conference of African Ministers of Industry agreed to holding a regional Symposium for Africa, to be preceded by national workshops whose reports and conclusions would be some of the inputs for the Symposium. The Symposium is to be held in Nairobi, Kenya in April 1979. The Fifth Meeting of the Follow-up Committee on Industrialization in Africa noted with satisfaction the steps taken for the preparations of the Third General Conference of UNIDO and emphasized the Symposium as an important forum for making additional preparatory work for the Conference.

6. In this connexion, the Symposium would offer opportunity for discussions leading to such recommendations to the Fifth Conference of African Ministers of Industry as would facilitate preparations for the Third General Conference of UNIDO as well as enable African countries to identify their mutual interests and adopt a common approach and position. No doubt, such conclusions and recommendations of the Symposium, as would be adopted by the Fifth Conference of African Ministers of Industry, would constitute a major contribution of inputs to the preparations for the Third General Conference of UNIDO.

IV. MAIN AREAS FOR THE THIRD GENERAL CONFERENCE OF UNIDO

7. On 15 December 1978 the General Assembly approved the provisional agenda for the Third General Conference,^{1/} the text of which is appended hereto as Annex I.

1/ General Assembly resolution 33/77.

8. As indicated in the provisional agenda the deliberations at the Conference are envisaged to cover three broad areas: firstly, review and appraisal of the world industrial situation with specific reference to the industrialization of the developing countries, secondly, the strategy for further industrialization in the 1980s and thirdly, a review of institutional arrangements in that context.

a) Review and appraisal of world industrial situation, with specific reference to the industrialization of the developing countries

9. In order to provide a broad basis for the review and appraisal of the world industrial situation and the industrialization of the developing countries a special issue of the Industrial Development Survey is being prepared by the UNIDO Secretariat. The Survey will contain a review of conditions in the major fields related to industrial development: production, trade, employment, technology and finance. After an examination of the economic structure of industrialization in recent years, an evaluation will be made of the developing countries' progress, compared with the long-term projections of the Lima declaration. It will also present an analysis of special issues, e.g., the local processing of natural resources, the contribution of industry to the traditional sectors (small-scale producers, rural areas), the financial requirements of industrialization, and the public sector and industrial development. A note giving further details regarding the Survey is appended as Annex II. In preparing the Survey the Secretariat is, to considerable extent, drawing on information derived from regional sources such as the economic commissions.

10. In the review and appraisal, the progress achieved in implementing the Lima Declaration and Plan of Action will be subject to specific attention. The qualitative as well as quantitative impact of the efforts towards a fulfilment of the Lima goals and targets will be assessed, major policies, problems and obstacles affecting their implementation will be looked at and steps taken or proposed in that context reviewed and appraised. In compliance with a resolution of the Industrial Development Board ^{1/} the UNIDO Secretariat

^{1/} ID/B/RES/45 (IX).

has requested from Governments and international organizations concerned information on the action taken and progress achieved towards implementing the Lima Declaration and Plan of Action. The documentation to be presented to the Third General Conference in this particular context will be largely based upon the results of this monitoring exercise and will take the form of an analytical report on the over-all progress made and main obstacles faced by the international community in respect of the major issues relative to the achievement of goals and targets of the Lima Declaration and Plan of Action. A note giving further details regarding the monitoring of progress towards implementation of the Lima Declaration and Plan of Action is appended as Annex III.

(b) Strategy for further industrialization as an element of the development process in the 1980s and beyond

11. The Conference will be expected to give consideration to appropriate industrialization policies and strategies aimed at achieving the Lima target. One of the basic documents of the Conference in this connexion will be the joint study on international industrial co-operation called for by the General Assembly at its seventh special session. The study will cover the economic, financial, legal and technological aspects of international industrial co-operation within the context of the Lima Declaration and Plan of Action and the New International Economic Order. In this study, it is hoped to propose measures to be negotiated and agreed upon in suitable international fora. A note giving further details regarding the joint study is appended as Annex IV.

12. Within the broad objectives set out in the Lima Declaration and Plan of Action and in General Assembly resolution 3362 (S-VII) relating to the redistribution of world industrial production by increasing the share of developing countries, the UNIDO system of consultations was established with the aim at identifying concrete measures needed to be undertaken by developed and developing countries to expand existing and establish new industrial facilities in the developing countries. The results and prospects of the system of consultations will be reviewed at the Third General Conference. General support has been expressed by the Industrial Development Board for the system as a useful means for promoting direct dialogues between industrial enterprises and the developing countries as well as co-operation at different levels of development and between countries with different economic systems.

13. The consultations held so far have demonstrated the usefulness of the system in providing a global approach to the problems of specific sectors. At its fifth meeting held in Addis Ababa from 8 - 10 November 1978, the Follow-up Committee on Industrialization in Africa expressed support for the consultations system of UNIDO in various sectors. The committee recommended to UNIDO the desirability of organizing preparatory and follow-up activities in Africa at the subregional level. The Industrial Development Board has requested the UNIDO Secretariat to prepare an analytical report on the experiences gained so far with the system of consultations, for consideration by the Board at its thirteenth session, 24 April - 4 May 1979. This report is also expected to be presented at the Third General Conference. Some of the countries in the ECA region have participated in the sectoral consultations hitherto held.

14. Specific attention at the Third General Conference is to be given to redeployment of industries as a form of international co-operation aimed at establishing productive capacities in the developing countries.

International co-operation in the field of transfer and development of industrial technologies with a view to increasing the technological capabilities of the developing countries is also foreseen as an important topic for the Third General Conference. A central theme of the UNIDO co-operative programme of action on appropriate industrial technology is the choice of technology in the context of integrating appropriate industrial technology into an over-all industrial development strategy. This matter was subject of deliberations at the highest level at the International Forum on Appropriate Industrial Technology held in India 20 - 30 November 1978.

15. As direct follow-up of the Lima Declaration and Plan of Action, an Industrial and Technological Information Bank (INTIB) has been created at UNIDO, with a view to promoting a greater flow of information, thus permitting the proper selection of technologies. It has been set up as a pilot operation for a period of 18 months from mid-1977, after which its experience will be evaluated. A Regional Centre for Development, Adaptation and Transfer of Technology in Africa was established. It will provide an opportunity for concerted action in the ECA region in this field. Special attention at the Third General Conference will also be given to industrial co-operation among developing countries and to improved mechanisms for industrial co-operation to promote the flow of an integrated technical and financial assistance to developing countries, including regional co-operation and special measures for the least developed, land-locked and island countries.

c) Institutional arrangements

16. The Third General Conference is expected to review the effectiveness of coordination and follow up on matters in the field of industrial development and cooperation covered by other organizations within the United Nations system. The close collaboration existing between UNIDO and the regional economic commissions, in particular through the joint industry divisions, is noted with satisfaction in this context.

17. The Third General Conference will also examine the institutional arrangements for UNIDO, with reference to the long-range strategy for UNIDO to meet the challenge of industrialization in the 1980s and beyond. The United Nations General Assembly Resolution No. 33/161 of 20 December 1978, approved a recommendation that a conference of plenipotentiaries be held in Vienna during the period 19 March to 12 April 1979, for the purpose of adopting a constitution for UNIDO as a specialized agency.

III. PREPARATIONS AT THE REGIONAL LEVEL FOR THE
THIRD GENERAL CONFERENCE OF UNIDO

18. At the twelfth session of the Industrial Development Board general support was expressed for active preparatory work for the Third General Conference at the regional level. Past experience had shown, it was stated, that regional preparatory work by the developing countries was an all-important factor in ensuring success, and the suggestion made that UNIDO provide all possible support to such preparatory activities.

19. It may be noted that, outside the ECA region, other industrial conferences at the regional level, which are expected to consider regional positions on the major questions to be considered by the Third General Conference, are scheduled to be held, at the middle or later part of 1979, namely: The Fifth Industrial Development Conference for Arab States; The Latin American Conference on Industrialization and the ESCAP Regional Preparatory Meeting for the Third General Conference of UNIDO.

ANNEX I

PROVISIONAL AGENDA FOR THE
THIRD GENERAL CONFERENCE OF UNIDO

1. Opening of the Conference
2. Organization of the Conference
 - (a) Election of the President
 - (b) Adoption of the agenda
 - (c) Adoption of the rules of procedure
 - (d) Election of officers other than the President
 - (e) Organization of committees
 - (f) Credentials of representatives to the Conference
3. General debate (statements by heads of delegations)
4. Review and appraisal of the world industrial situation, with specific reference to the industrialization of the developing countries
 - (a) Review of progress in the implementation of the Lima Declaration and Plan of Action on Industrial Development and Co-operation
 - (b) Review and appraisal of major policies, problems and obstacles affecting the implementation of the Lima Declaration and Plan of Action, and steps taken and proposed to resolve them
5. Strategy for further industrialization as an essential element of the development process in the 1980s and beyond
 - (a) Adoption of appropriate industrialization policies and strategies aimed at achieving the Lima target
 - (b) Recommendations for policies, procedures and frameworks to foster, develop and strengthen
 - (i) Domestic industrial processing of natural resources
 - (ii) Industrial skills
 - (iii) International co-operation in the field of transfer and development of industrial technologies with a view to increasing the technological capabilities of the developing countries
 - (iv) Improved mechanisms for industrial co-operation to promote the flow of integrated technical and financial assistance to developing countries, including regional co-operation and special measures for the least developed, land-locked and island countries
 - (c) Industrial co-operation among developing countries, recommendations of policies, procedures and strategies

- (d) Redeployment of industries from developed to developing countries
- (e) The system of consultations
- (f) Creation of appropriate industrial structures in developing countries, with a view to accelerating their economic growth and increasing their share in world industrial production in order fully to realize their economic potential within their national interests, in accordance with the Lima Declaration and Plan of Action and the seventh special session of the General Assembly
- (g) Role of foreign investment, including that channelled through transnational corporations, in promoting industrial growth in accordance with national objectives of economic and social development and regulations and other conditions applicable to such investment

6. Institutional arrangements

- (a) Review of the effectiveness of co-ordination and follow-up on matters concerning industrial production, international industrial co-operation and related issues covered by other organizations within the United Nations
- (b) Review of the effectiveness of the institutional arrangements for UNIDO, with reference to the long-range strategy for UNIDO, to meet the challenge of industrialization in the 1980s and beyond

7. Conclusions and recommendations

8. Adoption of the report of the Conference

9. Closure of the Conference

ANNEX II *

SPECIAL ISSUE OF THE INDUSTRIAL DEVELOPMENT SURVEY

A synopsis

1. This synopsis is intended to provide a general over-view of the subject matter of, and lines of investigation pursued in, the special issue of the Industrial Development Survey, which is scheduled for publication in the summer of 1979. Work is still in progress on several of the subjects discussed below; while, therefore, the general lines of reasoning reflect the treatment of subjects, subsequent work will result in further refinements and inclusion of the most recent data.
2. Industrialization continues to be a dynamic force contributing to growth in the developing countries and to the growing network of economic interrelationships at the global level. In fact, the phenomenon of economic interdependence - a trend which increasingly binds the economies of the developing countries with each other and with those of the developed countries - is largely a consequence of industrial growth. Industrialization prospects, and in particular achievement of the Lima target, are dependent upon an ever-widening set of complex relationships. Prominent examples are: the transfer of technologies from the developed to the developing countries; the flow of natural resources; capital flows and large-scale foreign investments; international labour migration; and international trade in semi-manufactures and manufactures.
3. Industrial progress in the developing countries is heavily dependent upon the behaviour of these links which lie at the heart of the modern interdependent world. While trade-oriented economies may be especially vulnerable to the vicissitudes of world market conditions and trade policies, the industrial sectors of the developing countries are susceptible to sudden changes that are transmitted through the network of international links. The economies of the developing countries lack the resources and skills as well as the size and breadth of markets to adjust to many of these changes independently. The need for co-operation among developing countries, as well as between developing and developed countries, as called for in the Lima Declaration and Plan of Action, has been increasingly recognized, and the required mechanisms set in motion, in order to ensure multilateral action on several fronts.
4. The Lima target is based on the global distribution of manufacturing value added (see table 1 below). During the period 1960 to 1968, the developing countries' share of world production underwent little change, remaining at a level of about 7 per cent. Since that time, however, steady gains have been recorded although the group's share of world production still remains below 9 per cent. The world recession since 1974 has affected manufacturing growth in the developed market economies more seriously than in the developing countries. Recent growth in the centrally planned economies has shown only minor fluctuations and, in general, has been relatively stable.
5. In general terms, manufacturing growth among the developing countries has been more pronounced for the group of countries at the intermediate level of per capita income (\$521 - \$1,075), which accounts for 17.3 per cent of the population of the developing countries. Growth has also been substantial for the small number of high-income countries (over \$2,000 per capita income), which account for 1.6 per cent of the population of developing countries. Rates of growth are lowest in the poorer countries (per capita income of less than \$265) where over

* This is also annex I of ID/B/C.3/71 reproduced here verbatim.

half the population of the developing countries is to be found. Over 70 per cent of the manufacturing growth that has taken place in the developing countries since 1966 is attributable to only 10 countries. Thus, in a majority of developing countries - and for a majority of the population in this economic group - industrial growth has been just sufficient to enable them to maintain their share in world industrial production at the same level.

Annex Table 1. Share of developing countries in world total of value added in the manufacturing sector, 1960-1975

| <u>Year</u> | <u>Per cent</u> | <u>Year</u> | <u>Per cent</u> |
|-------------|-----------------|-------------|-----------------|
| 1960 | 6.9 | 1968 | 6.9 |
| 1961 | 7.1 | 1969 | 7.0 |
| 1962 | 7.1 | 1970 | 7.3 |
| 1963 | 6.9 | 1971 | 7.6 |
| 1964 | 7.0 | 1972 | 7.7 |
| 1965 | 6.9 | 1973 | 7.9 |
| 1966 | 6.8 | 1974 | 8.2 |
| 1967 | 6.8 | 1975 | 8.6 |

Source: UNIDO, based on data communicated by the United Nations Statistical Office.

Note: Based on mid-year figures for 1977, the share of the developing countries may be estimated at 9.0 per cent.

6. General characteristics, such as the size of the domestic market, the level of resource endowment and a country's policy orientation, influence the pattern and pace of industrial growth. These characteristics are analyzed in the Survey in a discussion of recent growth experiences in developing and developed countries. Typically, manufactures' share in total income rises at an accelerating pace until an intermediate level of development is attained; beyond that point the manufacturing sector continues to grow, but at a slower rate. These factors all affect a country's growth path in different ways.
7. A detailed statistical analysis carried out in the Survey provides the basis for several scenarios of industrial growth to the year 2000. The results are not intended to be projections, but are indications of possible directions of change with specific assumptions about future growth. The pressing need for the future growth of the developing countries to depart from historical patterns is evident. Future growth rates in those countries, in relation to those of the developed countries, are considered, along with some of their implications for patterns of trade, the composition of industrial production, and investment requirements.
8. The manufacturing sector is composed of many heterogeneous branches. Barriers to development and the significance of the various forms of interdependence vary widely from one branch to another. Analyses conducted at the branch and commodity levels help to clarify some of the distinguishing characteristics of different segments of the manufacturing sector. The structure of industry at the branch level is relatively homogeneous among the developed market economies, but differs greatly among the developing countries.
9. Existing patterns of specialization at the branch level may be expected to change substantially as industrialization continues. Currently, the developing countries' specialization in various industrial branches is closely identified with resource endowment and/or agricultural development. Among the developed countries, there is an apparent tendency to

specialize in specific products within a given branch (such as chemicals or agricultural machinery). There is no evidence of a similar trend among the developing countries. An analysis of growth patterns at the branch level provides an indication of short-run prospects for industries in the developing countries.

10. A review of the priority sectors identified in the Lima Declaration and Plan of Action and of sectoral studies and consultations undertaken, indicates the interrelationship between growth prospects in developed and developing countries. Examples are world-wide limitations on available raw material supplies in the case of some products, differential rates of growth in final demand in the two economic groups, trends towards import replacement of various products, and changing production technologies.

11. The results serve as a rough guide in determining which branches are most influential in the growth process at a given level of development. Supplementary information on commodity balances and apparent consumption of specific commodities sheds further light on the manner in which resource endowment and production technologies influence growth and a country's dependence upon exports or imports.

12. The significance of international trade for industrial development varies widely from country to country and from one industrial branch to another. The extent to which developing countries have become integrated in the world trading network has increased greatly during the 1970s. A number of developing countries now figure increasingly as suppliers of manufactured goods and as markets for the manufactured exports of the developed countries. However, the share of the developing countries as a whole in the domestic markets of the developed countries is found to be quite small for most products, a fact which should be taken into account in connection with arguments for further protection of domestic industry in the latter countries (see Table 2 below).

Annex Table 2. Share of manufactures in total exports
for selected years, by economic group

A: Manufactures as per cent of total trade

B: Manufactures as per cent of total trade excluding SITC 3, mineral fuels and related materials

| | | 1960 | 1965 | 1970 | 1972 | 1974 | 1975 | 1976 |
|-----------------------------|---|------|------|------|------|------|------|------|
| World | A | 54.9 | 59.1 | 64.8 | 65.6 | 57.7 | 59.6 | 59.3 |
| | B | 61.1 | 65.4 | 71.4 | 73.0 | 72.8 | 74.0 | 74.4 |
| Developed market economies | A | 67.5 | 70.2 | 75.4 | 75.9 | 74.7 | 75.2 | 75.2 |
| | B | 70.3 | 72.7 | 78.1 | 78.6 | 78.5 | 79.2 | 79.7 |
| Centrally planned economies | A | 58.8 | 63.1 | 61.8 | 64.4 | 58.5 | 58.6 | 57.6 |
| | B | 67.2 | 71.2 | 68.4 | 71.5 | 68.5 | 70.3 | 66.7 |
| Developing economies | A | 14.0 | 17.5 | 23.8 | 24.1 | 16.8 | 17.3 | 18.5 |
| | B | 19.5 | 25.4 | 35.1 | 38.7 | 42.4 | 42.6 | 45.1 |

Source: UNIDO, based on data supplied by the United Nations Statistical Office and taken from the 1975 Trade Yearbook and Monthly Bulletin of Statistics March 1966, March 1970, and June 1978.

13. Other salient features in the field of manufactured trade includes the growing importance of the capital goods exports of the developing countries. Although still a minor proportion of the group's total manufactured exports, the share of capital goods exports has risen considerably and reflects the gains recorded by a small number of developing countries. Another noteworthy feature is the contribution manufactures make to the current account balance of many developing countries. This contribution is substantial for a large number of developing countries, and not only the major exporters. Finally, when production and trade patterns are examined by end-use of products (consumer goods, intermediate goods and capital goods), the close relationship between production and trade becomes clear. The traditional pattern of the developing countries' dependence on primary (or natural resource-based) exports, along with the import of capital goods, is however still evident in most instances. The significance of these and other findings is analyzed for its industrial implications.

14. In the preparations of the Survey, a separate exercise was devoted to an evaluation of the developing countries' performance in manufactured exports. Several conclusions emerge from this evaluation. First, as regards the composition of the developing countries' manufactured exports, this is dominated by products for which growth in world demand has been relatively slow. Secondly, as regards markets, these have generally been dynamic ones. Finally, the revealed competitiveness of the developing countries has improved over time. The magnitude of each of these effects has been estimated. In general, the most important features are the negative impact of the composition of the developing countries' exports and the positive contribution of increased competitiveness.

15. A key element in the process of industrial development is the extent to which the developing countries can efficiently increase the degree of industrial processing of goods prior to export. In recent years, approximately 53 per cent of the total exports of the developing countries have either been unprocessed or required subsequent processing.^{a/} A comparable figure for developed market economies in the same period is 27.6 per cent. Various processing chains (specific stages of transformation from raw material to intermediate product) are identified and activities in the developing and the developed countries compared. Particular attention is paid to the processing pattern for minerals at the mining, refining and fabrication stages. The results reveal some progress on the part of the developing countries in extending the degree of domestic processing, although there is a vast difference in comparison with the developed countries. Explanations for this difference vary widely, involving technological issues, structure of the particular industry, questions of horizontal and vertical integration, demand characteristics, the costs of factors of production and market access.

16. Employment and social issues in the industrialization process are considered in conjunction with manpower resources and technology. The developing countries' share of world employment in manufacturing is now approaching 33 per cent, although their levels of labour productivity are considerably below those achieved in the developed countries. The bulk of industrial employment in developing countries is satisfied by light manufacturing. Though rates of growth (for output and employment) are decidedly higher in heavy manufacturing, these branches have achieved only a limited share in total manufacturing in most developing countries. The

^{a/} The figure refers to 73 developing countries based on a definition of processing stages at the 4 and 5-digit level of the SITC. All exports (SITC 0 - 9) were included except petroleum.

practical development of technologies appropriate to the labour and capital endowments of the developing countries is thought to be a crucial step in the solution of the problems discussed here. An analysis of specific, micro-economic situations is carried out in this connection.

17. The traditional or informal areas of manufacturing play a significant part in the industrialization of many developing countries. The development of modern large-scale industries using imported technology and equipment and mostly located in urban concentrations may tend to leave substantial segments of the population of several developing countries - particularly in rural areas - out of the orbit of industrialization and modernization. Since the middle and late 1970s, the industrial plans of many developing countries have taken into account the need for policies and programmes oriented towards the development of the rural and urban poor in these countries. The role of small-scale and cottage industries and of more appropriate technologies in meeting the basic needs of the population and in accelerating the industrialization process is analyzed in the light of the development plans and programmes. The effective role that appropriate industrialization programmes can play in integrated rural development is also discussed, on the basis of the experience of several countries.

18. The financial requirements necessary to sustain the pace of industrialization in developing countries pose a key question for the future. Policies designed to stimulate both domestic and foreign investment will be required, as well as measures to improve capital productivity and rates of capital utilization. A study of total investment in manufacturing for a large sample of developing countries shows that approximately 20 per cent originates from foreign sources, the remainder from domestic sources. Investment averaged about 18 per cent of gross domestic capital formation between 1967 and 1976 although in the latter year a decline could be noted relative to the share in immediately preceding years. Over the period 1960 to 1975 the debt-service ratio rose considerably, reflecting in part the growing importance of private sources relative to public sources. The implications of these broad trends, along with an analysis of conditions at the country level are included in the Survey.

19. The importance of the public sector in industrial development varies widely from country to country. This is because the precise role of the public industrial sector in a country is closely related to the socio-political-economic context in which it functions. Nevertheless, the importance of the public industrial sector in a number of developing countries is considerable when account is taken either of its quantitative contribution to such items as manufacturing value added, employment and gross domestic product, or of its role as an entrepreneur and catalyst in the development of certain priority or key industrial activities. For the purpose of the Survey, the public industrial sector is viewed as focusing on those enterprises predominantly owned and controlled by the State and producing manufactured goods, as distinct from the whole range of public sector industrial policies and measures. Because of scarcity of data, the Survey does not attempt to give a comprehensive and detailed picture of the public industrial sector, but attempts, rather, to provide an overview of the rationale and importance of the sector, focusing on key issues and problems which arise in the establishment and effective operation of manufacturing enterprises.

ANNEX III*

MONITORING THE PROGRESS MADE BY GOVERNMENTS AND INTERNATIONAL
ORGANIZATIONS TOWARDS IMPLEMENTATION
OF THE LIMA DECLARATION AND PLAN OF ACTION

A synopsis

1. By virtue of IDB resolution 45(IX), the Board assumed responsibility for the review and appraisal of progress achieved in the implementation of the Lima Declaration and Plan of Action. In order to facilitate this monitoring, the Executive Director was asked to request periodically, from Governments and international organizations concerned, information on the action taken and the progress achieved in this respect. The reports, prepared on the basis of responses received from Governments and international organizations, have constituted an essential contribution through which the Board has been able not only to obtain direct information on the views and actions of the member countries, but also to provide appropriate guidance to the Secretariat.
2. The first round of the monitoring exercise was carried out in 1976-1977 and results presented to the Board at its eleventh and twelfth sessions (documents ID/B/182 and Add.1 to 4). A second round was launched in May 1978, at which time Governments were requested to submit replies by 30 November 1978. In both rounds, specially designed questionnaires were used in order to ensure, as far as possible, conformity and the requisite focus on the most pertinent aspects, it being recognized that the Governments' replies to the questionnaires would form the basis upon which the Secretariat could undertake a meaningful analysis of the progress achieved towards the implementation of the Lima Declaration and Plan of Action. The co-operation of other organizations within the United Nations system has also been sought in respect of those elements of the Lima Declaration and Plan of Action that fall within their competence.
3. As in the initial exercise, the responses from Governments and international organizations will be presented in the form of a compendium, further to which they will constitute the fundamental inputs for the analytical report which the Secretariat will prepare during the first half of 1979. Statistical and factual information from other sources, such as the Development Assistance Committee of the Organisation for Economic Co-operation and Development, will also be used during the preparation of the analytical report.
4. In the questionnaires issued in connection with the first monitoring exercise, particular attention was devoted to issues concerning plans, plan targets, strategies and priorities. In their replies, the developing countries clearly recognized the importance of planning as an instrument for the systematic allocation of resources needed to attain sustained industrial growth. The questionnaires used in the second round have thus been so designed as to permit analysis of the importance countries attach to the development of key industrial sectors and to the role of the public sector in the expansion of industries. Particular attention is also given to the external and internal factors affecting the developing countries' progress towards achieving the goals and targets of the Lima Declaration and Plan of Action.
5. In the first round of the monitoring exercise, due recognition was paid to international industrial co-operation as constituting an essential input into the industrialization of the developing countries. In the second round, particular attention has been devoted to forms of co-operation designed to facilitate redeployment and the progressive transfer of productive capacities from developed to developing countries, including industries that would further

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the processing of raw materials and semi-manufactures in the developing countries. Special emphasis has also been given to possibilities for international co-operation in those industrial sectors covered by the consultation meetings.

6. The reduction of unemployment and a more equitable distribution of income in the developing countries are fundamental interrelated social objectives contained in the Lima Declaration and Plan of Action, and due focus has centred thereupon in the second round of the monitoring exercise. Attention has also been drawn to the extent to which the industrial strategies and projections are related to the utilization and domestic processing of local raw materials and to measures taken in this regard by both developed and developing countries.

7. Replies to the first inquiry confirm that considerable attention has been paid to the transfer, adaptation and development of technologies. In the second round of the monitoring exercise, attention has been focused on the progress achieved, in particular through international co-operation, in developing manpower resources and research capabilities, as well as in promoting technological information, adaptation and innovation.

8. Attention has also been drawn to specific aspects of international trade and co-operation, such as measures facilitating the expansion and diversification of developing countries' exports of manufactures and semi-manufactures, financial and technical assistance flows, and techno-economic co-operation among developing countries.

NOTE ON THE JOINT STUDY ON INTERNATIONAL
INDUSTRIAL CO-OPERATION

Introduction

1. In compliance with the directive of the seventh special session of the General Assembly, and in consultation with other United Nations organizations, UNIDO is engaged in preparing a study (hereinafter referred to as the "Joint Study") of "methods and mechanisms for diversified financial and technical co-operation which are geared to the special and changing requirements of international industrial co-operation, as well as of a general set of guidelines for bilateral industrial co-operation".^{1/} It is expected that the Joint Study will emerge with a set of practical and innovative proposals for setting up new mechanisms for international co-operation aimed at helping developing countries to fulfil their development objectives in line with the New International Economic Order (NIEO) and the Lima Declaration and Plan of Action.^{2/} These proposals will be presented, discussed and negotiated at the Third General Conference of UNIDO, to be held at New Delhi in January/February 1980.

2. A progress report^{3/} on work on the Joint Study up to October 1976 was submitted to the General Assembly at its thirty-first session by the Executive Director of UNIDO, covering, inter alia, the deliberations of a meeting of Eminent Persons on International Industrial Co-operation convened at Vienna in September 1976. Subsequently, in 1977, several studies were commissioned on two related, but partial, areas of concern in the Joint Study:

- (a) The experience provided by intergovernmental framework agreements between countries of the Eastern and Western blocs, and the potential usefulness of such framework agreements in facilitating enterprise and other forms of collaboration between advanced and developing countries for industrialization purposes;
- (b) Procedures for solving differences, including international arbitration mechanisms, and the avoidance of disputes which emerge from the implementation of industrial co-operation contracts.

3. In 1978, the scope of the work was expanded to cover a much wider range of subjects of international industrial co-operation, and a provisional list of issues for study was drawn up by the Secretariat. This list was discussed at a meeting of twelve Eminent Economists from both developed and developing countries, held at Vienna in July 1978 to advise the Executive Director. The aim of the meeting was to test a proposed approach to the Study, and to discuss and finalize the list of issues in the context of the aspirations of the developing countries and likely changes in international economic conditions.

4. Following the completion of the preliminary draft of the Joint Study in the first half of 1979, it is proposed to discuss the main findings at regional meetings of ministers of industry scheduled to be held during 1979. Other intergovernmental fora, such as the conferences of the regional commissions may also be used to test the attitudes of Governments towards the Joint Study's proposals. The findings of other world conferences on subjects of relevance to international co-operation and industrialization are being closely followed in order to judge the climate of co-operation, as well as to identify proposals that can be developed further in the Joint Study. Of particular importance are the United Nations Conference on Technical Co-operation among Developing Countries, the United Nations Conference on Science and Technology for Development and the fifth session of the United Nations Conference on Trade and Development (UNCTAD). In addition to co-operating with other United Nations organizations in the preparatory work for these conferences, inter-agency meetings are also scheduled for 1979 to discuss the draft proposals of the Joint Study.

^{1/} General Assembly resolution 3362(S-VII), section IV, para.7, of 16 September 1975.

^{2/} A/10112, chap.IV.

^{3/} A/31/230 dated 8 October 1976.

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I. INTERNATIONAL FRAMEWORK FOR THE STUDY

A. The New International Economic Order

5. No issue has been more central to international discussion^{4/} in recent years as that concerning economic relations between rich and poor countries. Recognition has widely spread that "the international system of economic and trade relations which was devised 30 years ago is now manifestly inadequate for the needs of the world community as a whole. The charge against that order in the past was that it worked well for the affluent and against the poor. It cannot now even be said that it works well for the affluent."^{5/} Over the course of the next decade, therefore, substantial adaptation of institutions and behaviour will be needed to respond to the changed circumstances of our time.

6. Certain elements of the relationship between the developing and the developed countries that the former find particularly irksome are:

- (a) The division of the world into exporters of primary products and exporters of manufactures;
- (b) The adverse factorial terms of trade for the products of the developing countries;
- (c) The one-sided dependence of the developing countries on the developed for finance and technology;
- (d) The dependence of most developing countries on the developed for their engine of growth.

7. To overcome these built-in disabilities, the Third World is asking for a fundamental structural change - a new international economic order which will redress past patterns of hopeless dependency and provide real opportunities to share more equitably in global growth.

8. The NIEO is thus to be viewed as a dynamic concept and not simply as a static statement of intent. In this perspective, the Joint Study would seek to build on the foundations laid during the present decade, which have as their central objective the creation of a setting in which the possibilities for individual and collective self-reliance among the developing countries can be increased, while placing the relations between industrialized and developing countries on an equitable footing.

B. The Second General Conference of UNIDO

9. The Lima Declaration and Plan of Action goes further in specifying some of the qualitative changes that industrialization should undergo in the future. It stipulates the importance of self-reliance and the concept of an integrated and multi-sectoral approach to industrial development. Emphasis is similarly placed on reform of the international monetary system, the regulation and supervision of transnational corporations, and the strengthening of producer associations and other means of increasing the bargaining power of developing countries. For developing countries, the Lima Declaration and Plan of Action places stress on the socio-economic objective of industrialization, including the elimination of poverty and unemployment, the integration of industry with other sectors, and the stimulation of indigenous capacities for mobilizing finance, technology and training. The elimination of trade barriers, structural adjustment and redeployment of industry, as well as technical and financial resource transfers to developing countries are among the group of measures recommended for adoption by the industrialized countries. Co-operation among developing countries is recommended, especially through

^{4/} Sixth and seventh special sessions of the General Assembly, 1974 and 1975; Second General Conference of UNIDO, 1975; Conference on International Economic Co-operation, Paris, 1976.

harmonization and co-ordination of policies, the sharing of information and experience, and agreements on product specialization. Finally, in the area of co-operation between industrialized and developing countries, particular importance is given to resource flows, industrial restructuring and free trade in manufactures.

10. Achievement of the Lima target, namely that 25 per cent of total world industrial output should be produced in the developing countries by the year 2000, would imply extremely heavy demands on the supply of both internal and external investible resources. If the assumption is made that future growth rates in the industrialized countries may be around 4 per cent per annum, and that domestic savings rates in the developing countries cannot be increased significantly above current levels, then in the year 2000 alone the required net flow of external financial resources to the developing countries would have to be of the order of \$400 billion^{6/} (at constant 1972 prices), or some 10 times the magnitude actually achieved in 1977. It is unlikely that this could be reached without special efforts at reshaping international economic relationships.

11. At the internal level, moreover, reasonable assumptions suggest that attainment of the Lima target, given existing structures, would require that investment for industry alone should reach more than one third of the Gross Domestic Product (GDP) of the developing countries (i.e. double current proportions). Hence, a major implication of the Lima target is that its fulfilment would, under foreseeable conditions, impose enormous strains both on relations between developing and industrialized countries and on existing structures in the developing countries. It follows that progressive structural change is essential if the share of the developing countries in industrial production is to be increased. An integral part of that change is the formulation and implementation of new modalities for international co-operation between developing and industrialized countries and among the developing countries themselves.

C. The international economic setting

12. The likely configuration of international economic structures, conditions and relations over the next quarter century is vitally important for the elaboration of co-operation proposals linked to the Lima target - if these are to gain acceptance by countries having diverse interests. Three major features are likely to characterize the international economic environment up to the time the Third General Conference of UNIDO is held, namely:

- (a) Continuing and perhaps deepening world economic recession;
- (b) Separation, for the first time in history, of national industrial and financial power, through the emergence of the "rich-poor" capital surplus oil-producing countries, thereby opening up prospects for entirely new strategies for the economic development of such countries, as well as of those countries that collaborate with them;
- (c) The coming of age of the "poor-rich" developing countries which are at the forefront of the industrialization process and therefore already have the capability of transferring most of the resources (except capital) needed by the less developed countries.

13. Since the engine of growth for the majority of the developing countries for the foreseeable future, barring urgent restructuring, will continue to lie in the North, any comprehensive plan for global industrial co-operation must, by definition, hinge on economic conditions prevailing in the industrial countries. At the Meeting of Eminent Economists in July 1978,

^{6/} For the purpose of this document one billion equals one thousand million.

it was generally felt that the growth performance of the industrialized countries might continue to be sluggish for some time to come. Given the reduced operational surpluses and mounting investment needs arising out of technological advances, it is possible that capital transfers from the North will fail to match the requirements of a comprehensive plan for global industrial co-operation needed to meet the Lima target. One deterrent to co-operation has already emerged, in the form of the protectionist sentiments that are building up in the North. Exclusive reliance on the markets of the developed countries, therefore, should not be the only stimulus for the future expansion of industrial output in the developing countries.

14. The above observations, seen in the context of the proposals advanced in the NIED, and subsequently developed at the Second General Conference of UNIDO and other international gatherings, strongly suggest that in the coming decade the developing countries, as a matter of necessity, may have to elaborate and implement programmes of South-South co-operation. Such programmes would include the areas of finance, direct foreign investment among developing countries themselves, technology supplies, and new forms of external trade. These issues all come within the purview of the Joint Study, and are touched upon briefly in section III of the present Note. At this stage, it has to be clearly recognized that what is at issue is a major change of focus regarding international economic relations. Demands for the NIED have been formulated, and continue to be formulated, precisely in a period when, for the first time in more than a quarter of a century, the industrialized countries are deeply preoccupied with their own economic problems. Thus, the developing countries may even find it difficult to obtain such co-operation as they may consider desirable in the light of their own development objectives, simply because the industrialized countries are no longer ready to offer such co-operation. The proposals to be advanced in the Joint Study will therefore take account of the possible developments in the international setting as a whole, and attempt to cover forms of co-operation sufficiently flexible to meet sudden shifts in international conditions.

II. A DIFFERENTIATED ANALYSIS OF INTERNATIONAL INDUSTRIAL CO-OPERATION

15. A study in general terms of mechanisms of international industrial co-operation for all Third World countries would suffer from two deficiencies: first, the treatment of developing countries as a homogeneous aggregate would ignore their enormous diversity in size, resource endowments, existing industrial structures and patterns, and policy directions; and second, the analysis of external co-operation, undertaken in abstraction from the national strategies and processes of industrialization, would give too little weight to crucial internal factors and constraints. In the Joint Study, therefore, an effort will be made partly to remedy these basic deficiencies by looking at co-operation mechanisms from two angles: first, by considering different co-operation requirements, forms and channels associated with broadly varying strategies of industrialization; and second, by making use of country case studies that are representative of the range of situations found in the Third World.

16. Broad strategies of industrialization may be characterized as:

- (a) Those oriented towards export markets and acceptance of the international division of labour, as determined by the operation of free markets and free trade;
- (b) Those featuring a planned attempt, from a national perspective, to build up an independent industrial structure with emphasis on capital goods production, though perhaps starting with a process of import substitution;

- (c) Those which are essentially inward-looking, aimed at expanding the internal market for industrial products of mass consumption, meeting directly the needs and using the capacities of population majorities.

17. A residual category reflects the situation of countries that have barely embarked on a programme of industrialization and consequently have not yet formally opted for one of the three alternatives listed above. Although it is evident that these strategies are not mutually exclusive, they nevertheless give an indication of what the major industrialization thrust of a country may be at any given moment in time. Most countries and their development plans exhibit some mixture of these strategies or reflect a process of transition from one to the other. Moreover, various sub-sectors of industry in a given country may reflect different strategies, leading to differences in co-operation requirements, depending on the sector. At a different level of aggregation, a country may designate certain sectors or sub-sectors to be oriented towards export production or towards collaboration with foreign enterprises, and others, for either social or strategic reasons, towards independence from foreign sources.

18. The nature of external co-operation, including reliance on foreign sources of finance, direct investment and technology, will be different in the case of each of the alternative strategies, although some production areas may be more sensitive than others.

19. Within the framework of the Joint Study, two other studies are being undertaken with the express purpose of exploring the international consequences and limits of alternative industrialization strategies. One aims at assessing what would be the limits of absorption by the markets of the industrialized countries if a significant number of developing countries, including many of the larger ones, were to decide to produce industrial goods substantially for export. Following a contrasting hypothesis, another study is assessing the scope for countries to adopt industrial strategies oriented primarily towards internal markets and involving "de-linking" from the international economic structure. Both studies consider the kinds of international co-operation that would be relevant in each situation, and the likelihood of their being available to the countries concerned.

20. Country case studies of those countries following typical strategies are needed in order to place the role of external co-operation for industrialization in proper perspective. Given the type and source of co-operation (contrasting co-operation with the North, the East and with other developing countries of the South), each study should aim to assess the extent to which external factors have contributed towards, or hampered, the national process of industrialization and the objectives of development, including self-reliance. The studies should help to identify the major forms, channels and mechanisms of international co-operation actually used by the countries, and provide some idea of the relative importance of different areas of co-operation. An evaluation of their past strengths and weaknesses, as well as the highlighting of possible modifications of new mechanisms to meet the changing needs of industrialization in the future, will provide a checklist against which to judge the comprehensiveness and merits of the mechanisms being considered generally by the Joint Study.

21. As to the relative merits of co-operation from different sources, two types of studies are being undertaken: the first tries to draw lessons for the Third World from experience gained in recent East-West industrial co-operation, including the use of intergovernmental framework agreements for collaboration at the enterprise level. The second concerns the

underlying preoccupation of the Joint Study with collective self-reliance as the outcome of co-operation among developing countries. In this respect, studies are being conducted that map out the extent of existing co-operation among Third World countries, covering the special features of such co-operation, the sectors in which it is concentrated, and the countries involved. This mapping should allow proposals for South-South co-operation to be formulated with greater confidence than would have been possible even a decade ago, when the significance of such co-operation was largely hypothetical.

III. ISSUES AND FORMS OF CO-OPERATION BEING STUDIED

22. The external contribution to the process of Third World industrialization is seen to fall into four principal areas where flows take place between countries: finance, direct investment, technology and trade. The sources of these flows are grouped in the Joint Study as the North (the developed market economies of North America, Western Europe, Japan and Oceania), the East (the centrally planned economies of Eastern Europe) and the South (all developing countries). Financial flows include both concessional and non-concessional funds, comprising grants, loans and bonds. Direct investment flows are treated separately, and are concerned chiefly with the activities of the transnational corporations (TNCs). Technology flows are discussed under the term "acquisition" of technology rather than the more common concept of "transfer", in view of the fact that a commercial transaction is involved in most cases. Trade issues deal primarily with access to external markets for manufactured products, as well as redeployment of industries from developed to developing countries.

23. Although in the Joint Study the issues will be sorted into these four areas, the analysis is fully cognizant of the interdependence and overlap between the areas, recognizing that the major actors on the stage of international co-operation, namely Governments, international organizations and TNCs, invariably are active in all four areas simultaneously.

A. Financial flows

24. Included in the area of finance are three groups of issues relating to concessional finance, access to private capital markets, and finance directly aimed at stimulating trade in manufactures. In the Joint Study it is not proposed to review the entire list of proposals aimed at increasing official development assistance (ODA), or to repeat the argument for linking development assistance with an increase in international monetary reserve creation. These areas have been given thorough study by other international organizations specialized in financial matters, and continue to be considered in various fora. Consequently, the Joint Study will look only at a subset of ODA-related issues where concessional finance is used to catalyse far greater amounts of non-concessional funds for industrialization purposes, such as in providing guarantees, new forms of co-financing, and arrangements of a triangular nature. ODA use in barter arrangements, and ODA in kind, will also be treated in the Joint Study. Measures to increase the effective use of short-term and long-term surplus funds, as well as surplus capital goods capacity for Third World industrialization, are very much at the centre of the Study's attention in this area.

25. As far as access to capital markets is concerned, the focus of attention is on elaborating proposals to ease terms of borrowing (i.e. period of maturity, fees and interest rates for industrial investment finance). This is partly in response to the general finding that there has been a tremendous increase in the use of high-cost, offshore currency financing by developing countries in the last four to five years. The middle-income and the fast-growing developing countries are expected to be the major beneficiaries of proposals in this area. Finally, the trade-related financing area offers issues concerning: the feasibility of creating banking and payments systems within the Third World catering specially to its needs and capabilities and bypassing established networks headquartered in the major Northern financial centers; the feasibility of introducing - within the existing, and possibly a modified, world trading and financing system - new investment mechanisms linked to trade in manufactures and commodities, including specific types of proposals geared to expanded credits for developing country exports; and the feasibility of barter-related investment finance arrangements between groups of countries where an active international mediatory role may be envisaged.

B. Direct foreign investment

26. The impact of direct foreign investment on Third World industrialization is being studied in terms of devising acceptable ways of: first, inducing direct foreign investment at least cost; second, regulating and controlling such investment in the interest of increasing its linkage with domestic enterprises and entrepreneurship with a view to enhancing its development impact and retaining more of the benefits within the host country; and third, increasing the capacity of developing countries to bargain with foreign enterprises, in order to obtain improved terms and conditions.

27. In the first area, a review of schemes providing financial incentives (e.g. tax, tariff and exchange-control concessions) and other non-monetary inducements may yield proposals that, through regional or international co-operative action, will reduce revenue losses. Measures in the industrialized countries to encourage local private entrepreneurs to invest in developing countries also form part of the review.

28. The close relationship between fiscal measures and the wide-spread practice of transfer pricing draws the study into the second area, involving the regulation and control of direct foreign investment. The impact of such investment on host economies remains a controversial subject of debate. Within the context of its underlying concern with the relationship between industrialization and development, the Joint Study will explore the potential for international co-operation in fostering positive linkages between foreign corporations and domestic entrepreneurs, with a view to influencing local industrial factors, including the degree of concentration, technological choice, and local consumer tastes and preferences - all of which are among the many variables that determine the developmental impact of industrial investment. A hitherto relatively unexplored subject being examined in the Study is the effect of the changing composition of foreign investors in developing countries, particular note being taken of the growth of Third World multinational corporations and state-owned corporations.

29. Co-operative action, the third area of study, is seen as crucial to the ability of developing countries to negotiate successfully with foreign enterprises. Attempts are being made to elaborate new mechanisms for direct foreign investment as well as for industrial co-operation at the inter-enterprise and/or inter-state levels. These mechanisms should allow

the monitoring of foreign investment activity to the benefit of the host economies, and by increasing the leverage of these economies in a process of continuous bargaining, help to achieve greater equity in the sharing of benefits. The development of improved negotiating instruments, as well as the elaboration of an international framework more supportive to Third World enterprise negotiations, are among the prime objectives of the Joint Study. A particularly fruitful topic would appear to be the linking of schemes that provide investment protection with those granting adequate plant performance guarantees.

C. Technology and international industrial co-operation

30. Technological command is at the heart of any process of industrial expansion. The capacity to assimilate, adapt and ultimately create new techniques, new methods of work organization, new products and new ways of distributing them, is the springboard on which the industrialized countries have assured their own material improvement; simultaneously, their dynamism has created new relationships of dependency for the developing countries. In its deepest sense, this dependency consists of a passive acceptance by the developing countries of Northern technology as being the best technology, and therefore the one best suited to their own needs. Given that perspective, developing countries remain in a position of merely following the lead of the industrialized countries, both the pace and the direction of technological change, and thus industrial growth, being determined essentially from the outside.

31. The approach taken in the Joint Study is that the pattern of dependency must be broken. This will require a two-pronged commitment by the developing countries. The first is to a systematic breaking-down of technologies imported from industrialized countries so that, in the shortest possible time, they will pass from the stage of being mere buyers of equipment and technical services to that of acquiring the internal capacity to modify and improve on that technology in the light of their own conditions and needs. The second commitment is to an investment in the political, institutional and legal structures capable of generating fresh technologies corresponding to their own development objectives. Neither process is simple and neither should be initiated in isolation. Since no country is operating from a tabula rasa, the particular mechanisms chosen, and the relative emphasis given to each of them, will reflect the country's past industrial history. It is safe to say that imports of technologies will continue in most developing countries; the practical problem is how to obtain these in such a way that the best possible stimulus is achieved for the domestic development of fresh technological knowledge. The industrialized countries will hardly devote much attention to problems that may be of considerable significance to the developing countries but are unimportant to themselves. Hence, it is imperative that the developing countries tackle these matters themselves.

32. The two-pronged approach to reducing technological dependence will scarcely be successful without co-operation among developing countries, and the reasons for this are not difficult to find. First, the acquisition of information about information is a costly and hazardous enterprise, albeit one that is liable to yield considerable economies of scale; carefully formulated co-operative schemes are thus potentially promising avenues to pursue. Second, the institutional and legal procedures to strengthen bargaining capacity are, to a large extent, the product of "learning by doing" in which the experience of some countries can be vital to others. This is true "transfer of technology" which developing countries can engage in

together. Third, as most of the social problems generated by existing technology are common to a number of developing countries, these countries all have an interest in seeking out new technologies better suited to their needs. Common endeavours in research and development, therefore, ought to be of substantial benefit to all concerned. Fourth, scientific advances in the industrialized countries will continue apace as those countries restructure their societies in anticipation of what some have called the onset of a "post-industrial era". These advances could have considerable effects, either favourable or unfavourable, on the development aspirations of the Third World. The developing countries, therefore, must ensure that they remain abreast of the situation through a system of constant, joint monitoring of these advances.

33. It is interesting to reflect that in debating the New International Economic Order, the developing countries emphasize disparities and inequities in the distribution of power, income and wealth among different countries, whereas the industrialized countries tend to talk about poverty of people, which is partly a reflection of unequal income distribution within countries. In this context, it should be realized that in an important sense, income distribution within countries is the result of unequal distribution of power between countries. The reason lies in the unequal distribution of technological power, measured, for instance, by the fact that over 95 per cent of all research and development expenditures are concentrated in the industrialized countries, which contain less than one-third of the world's population. These countries naturally develop the technology that produces the goods they need, by the processes that are right for them, i.e. labour-saving. There is no economic urge to develop equally efficient, sophisticated capital-saving technology. When the developing countries adopt the only available "efficient" technology - i.e. labour-saving - the invested capital is tied up in a small "modern" sector from which the bulk of the population is cut off. The result is economic dualism and unequal income distribution. In this way, unequal technological power (or technological dependence) between countries leads to poverty-inducing unequal income distribution within developing countries.

34. Given these factors, there would appear to be five main areas in which further international action may be considered. The first is regulation and control of technology transfer, including ways in which the negotiating strength of the developing countries can be reinforced and efforts made to ensure that imported technology is absorbed by the users. The second concerns the development of information systems, covering information on joint purchasing arrangements among developing countries, in order that the full potential of technologies, wherever they are available, can be harnessed to the requirements of the developing countries. The third deals with the promotion of trade in technology among public and private sector enterprises in developing countries, drawing upon recent evidence indicating that the considerable technological progress being made in the developing countries can provide a basis for increasing technological co-operation among them. The fourth covers institutional mechanisms to encourage the transfer of appropriate technology among developing countries. The fifth area encompasses co-operative mechanisms among developing countries for the monitoring of advances in science and technology likely to affect their industrialization goals.

D. External trade and industrial redeployment

35. Perhaps the most visible area of international economic relations in which the developing countries find themselves disadvantaged by the present world order is that of trade. Initiatives to increase the price and volume of developing country exports have therefore been of long-standing in the agenda of specific reforms of the present world order. In essence, it is believed that there is a systematic bias in the distribution of benefits from international trade, a bias favouring the powerful industrial exporters of the "centre" as opposed to the weak producers on the "periphery". Two consequences result from this situation. First, Third World exports to the North seem to be subject, inescapably, to secular adverse terms of trade. More important for exports of manufactures, a preponderance of intra-firm trade relating to exports from the North,^{7/} leads to the belief that there may be more competition in the price determination of exports from the developing world than in the price determination of their imports. Second, a large foreign presence in the export sector of the developing countries may result in the dynamics of comparative advantage in the South being determined principally by the benefits to be gained in the North.

36. These are the broad aspects of international trade in manufactures which the Joint Study is focusing on. In specific terms, UNIDO is undertaking, in consultation with UNCTAD, a review of structural trends and those features of trade policy and practice that are likely to affect the export of developing countries' manufactures, including tariff and non-tariff barriers, restrictive business practices, the experience of regional trade grouping and associations, and commodity agreements, marketing institutions and bilateral agreements. The review will indicate the scope for further co-operative endeavours in harmonizing policies and minimizing conflict. Prospects for South-South trade and regional markets are receiving special attention.

37. In line with the industrial restructuring that is proceeding in the North, redeployment of industries from developed to developing countries is the subject of a series of studies being undertaken by UNIDO pursuant to General Assembly resolution 31/163. The findings of this ongoing programme are to be synthesized and presented in the context of the Joint Study, together with proposals for encouraging redeployment and structural adjustment. Studies have been undertaken in both developed and developing countries. Those carried out in a number of developed countries aim at forecasting long-term structural changes in the industrial sector, showing the need for adjustments and the scope for increased industrial co-operation with the developing countries. They are based on disaggregated analyses of factors determining the changing comparative advantages, and of national policy. Detailed reviews are being carried out on the impact on employment in various developed countries of increased trade with developing countries. The studies, together with the analyses of the priority areas and desired forms of redeployment as seen by the developing countries, are expected to provide a basis for assessing actual constraints and prospects of industrial redeployment, and for suggesting suitable national and international measures to facilitate the redeployment process.

38. The processing of mineral resources in developing countries is considered to constitute an area warranting particular attention in the Joint Study. For example, some 20 developing countries depend on the export of one mineral to the extent of between 20 and 99 per cent (1973) of their total export earnings, which remain subject to wide fluctuation. A systematic assessment of the prospects for, and economic benefits of, more extended mineral processing in the

^{7/} About half of United States-based multinational exports were inter-company in 1970, while between one quarter and one third of total world trade in manufactures was intra-firm.

developing countries has therefore been initiated. It is expected, on the basis of this assessment, to outline policy options open to developing countries for the further processing of major minerals, in co-operation with developed or other developing countries.

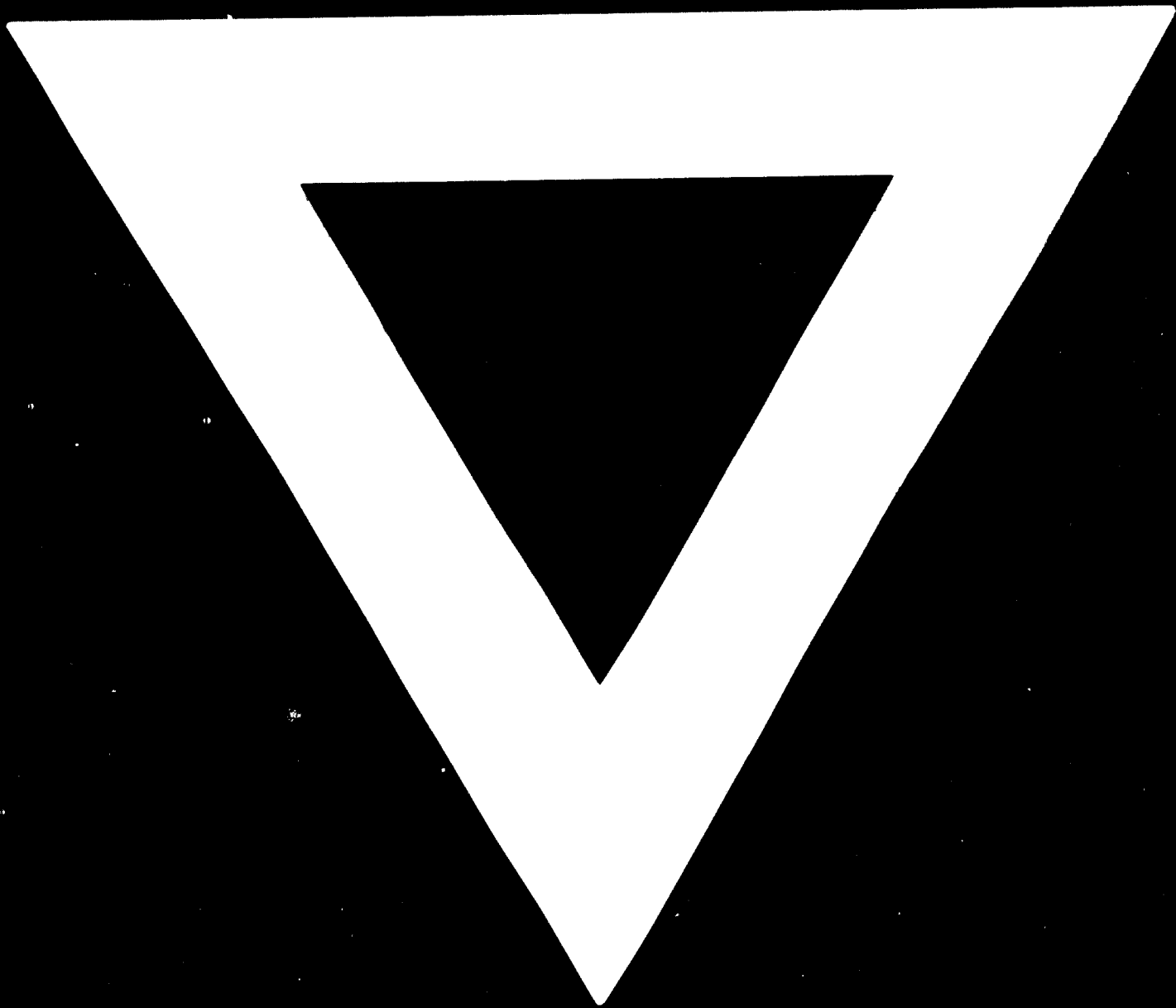
39. In establishing new processing facilities in the developing countries, collaboration with foreign enterprises may be developed in a number of ways, to ensure a flow of equitable benefits to the host countries. The analysis will be disaggregated for groups of developing countries, according to a number of factors, including the structure of markets for the minerals in question and the bargaining power of the sellers.

IV. STRUCTURE OF THE JOINT STUDY

40. In spite of the screening of issues that has been described above, it is important that the final selection be made only after a critical review of the areas that seem most promising for international agreement. To avoid the type of deadlock in which international discussions frequently find themselves, it is necessary to look for new ideas based on the identification of common interests among countries that appear to be in basic conflict. Conferences to be held prior to the Third General Conference of UNIDO will undoubtedly provide a valuable indication of where breakthroughs in international negotiations may emerge. Ideas that are not totally new, in the sense that individuals or institutions may have brought them forward in another shape at a previous stage, may have a new and promising impact if brought together in a different synthesis. It is in this sense that the Joint Study is trying to sift proposals. A wide range of proposals will have to be tested in a series of discussions with Governments and other parties involved in international co-operation. The process of testing and checking will result in a further distillation of ideas. The final Study, therefore, should emerge with a limited number of proposals that may be expected to enjoy a strong measure of international agreement.

41. The main text of the Joint Study document will be brief in describing the proposals themselves, together with supporting arguments and the rationale for their selection. Annexes will give the detailed reasoning behind each of the proposals and include case studies and illustrations. The entire document will be presented to the Third General Conference.

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