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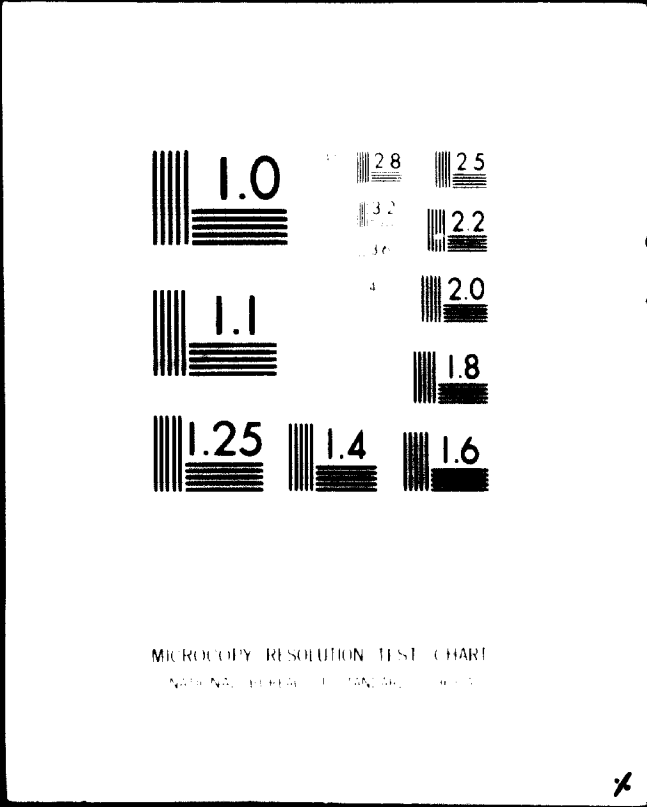
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REPORT

CONFERENCE ON INTERNATIONAL ECONOMIC Co-OPERATION.

(Industrialization and Transfer of Technology)

Third Session

Paris, 21-28 April 1976

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Vienna, 15 May 1976

I. INTRODUCTION

A. Purpose of Mission

As directed by the Executive Director, a UNIDO observer mission consisting of Messrs. L. Corrêa da Silva, Head, Metallurgical Industries Section and Head of Delegation, A. Hacini, Acting Head, Negotiations Section, H.K. Rahim, Industrial Development Officer, Negotiations Section and Secretary, UNIDO Task Force for the Conference on International Economic Co-operation, and joined later by Mr. A. Feraldis, Industrial Development Officer, Regional and Country Studies Section, represented the UNIDO at the third session of the Ministerial Conference on International Economic Co-operation held in Paris from 21-28 April 1976. This particular session is in continuation of the previous two sessions held in February/March 1976 (see previous reports).

B. Organization of the Conference

1. Reference is invited to the report of the first and second session (11-20 February and 19-27 March 1976) for details on the organization of the Conference.

2. At this session, the Conference continued an intensified international dialogue between the developed and developing countries in the four commissions established for this purpose by the Ministerial Conference - i.e. energy, raw materials, development and finance. The UNIDO was represented as an observer at the Commission for Development which had the following agenda items: transfer of resources, transfer of technology and industrialization. In addition, the UNIDO participated as an ad hoc observer in the Raw Materials Commission whose agenda, as proposed by the Chairman, covered the discussion of topics which had been the object of position papers prepared by the Group of 19 during the previous session in March: establishment of a common fund, commodity stocking arrangements and other measures, indexation, compensatory financing, liberalization and access to markets of developed countries, and transportation and distribution of raw materials.

3. Concerning the admission of the Council for Arabic Economic Unity (CAEU) as an ad hoc observer to the Commission for Development (see report on March session), a decision was taken by the Commission to have it admitted as an ad hoc observer.

II. PROCEEDINGS OF THE CONFERENCE

A. General Tone of Discussions

In contrast to the previous session which was devoted to food and agriculture, the April session brought to the surface certain issues which, by their very nature, engendered divergent views and positions between developed and developing countries. This was especially evident in the Commission for Development when it examined the transfer of resources including such sub-items as official development assistance, public flow, private flow, and the problems of foreign debts of the developing countries. The discussion on the transfer of technology and industrialization also showed that while developed countries have accepted the general broad principles outlined in the U.N. resolutions such as the Seventh Special Session, the Lima Declaration and Plan of Action, etc., the concrete fulfillment of these resolutions posed certain problems for them. Another general impediment in the work of the Commission for Development is the fact that it dealt with "catch all" issues - the details of which are or will be discussed in other commissions - such as the problem of foreign debts, public or private flows, etc. (Commission on Finance).

A second general comment, as far as the Commission for Development is concerned, is the clear attempt by developed countries - during discussions on the transfer of resources - to categorize developing countries into two groups and sometimes three groups - i.e. those countries with a GNP of more than 200/annum and those countries whose GNP is under 200/annum (sometimes referred to as the countries with a GNP of 150/annum) and finally, the least developed countries.

The Raw Materials Commission, on the other hand, had defined specific and concrete issues which were mainly presented by developing countries such as establishment of a common fund, commodity stocking arrangements, indexation, compensatory financing, liberalization of trade and access to markets of developing countries, and transportation marketing and distribution. The Group of 19 in the Raw Materials Commission had prepared the papers well in advance - during the March session - and this proved to be of immense value in furthering with the developed countries a fruitful dialogue.

Finally, there was an extremely well organised attempt by UNCTAD to use this session of the Conference as a sounding board for UNCTAD IV in Nairobi. They were extremely successful in contacting delegates and had well prepared position papers and responses to questions addressed to them by the Commission. There was a clear emphasis on the primacy of trade and trade-related issues as a central theme in all issues before the Commission. Furthermore, concerning the draft paper on industrialization prepared by the Group of 19 for presentation to the Commission on Development, there was a skillful effort to turn the issues of industrialization as a part and parcel of trade development. Following long meetings with the UNIDO observer delegation, the Working Group of 19 on Industrialization, brought into focus the role that UNIDO has to play in the industrialization process (as set out in the Lima Declaration and Plan of Action and the Seventh Special Session of the General Assembly). As a consequence, a revised position paper by the Group of 19 was issued which established a more balanced perspective on the relationship between industrial development and trade (please refer to Annex I).

The Conference, on the whole, ended by a forceful plea by the Group of 19 (see Annex II), in which they expressed their discontent at the lack of progress at the Conference due to the lack of "positive reactions or constructive counter-proposals" from the group of industrialized countries. They attributed this to the lack of "positive political will on the part of a few developed countries which are delaying the process of understanding and co-operation ...". The statement ended by calling for substantial results at UNCTAD IV at Nairobi in the absence of which they felt that the dialogue already engaged during the Conference on International Economic Co-operation "will be jeopardized". It is assumed that the Group of 19 had wanted by this declaration to show their disappointment of the slow pace of the Conference lest the Group of 77 comes to Nairobi empty-handed. Nevertheless, for the industrialized countries the declaration of the Group of 19 came as an unexpected development since the general feeling among them was that they were satisfied with the dialogue engendered so far and that concrete results could not be achieved after less than 30 full days of discussion during February,

March and April. However, the Group of 19's declaration seems to be a clear warning to the industrialized countries that some concrete concessions and proposals are awaited from them in Nairobi.

B. General Proceedings of the Commission on Development and Raw Materials

Commission on Development (Co-chairmen: M.A. Challal - Algeria
E. Wellenstein- EEC)

1. Transfer of Resources

The broad issues which emerged, during the discussions on the transfer of resources, concentrated on the following: the positions of the Group of 19 as presented on their behalf by Jamaica, India and Pakistan with considerable support from Sweden rested on the following premises:

- ODA has fallen short of expectations: it must be re-defined and its terms made softer;
- the 0.7% target has not been reached by many countries, the achievement of which was one of the main points of the Manila Declaration. The U.S. has never accepted what it called "static targets" for the transfer of resources.

Some of the measures proposed by the Group of 19:

- replenish IDA to 9 billion dollars;
- expanding the "third-window" of the IBRD;
- strengthening the capital base of regional banking institutions and UNDP;
- levying of a development tax in developing countries;
- increasing the aid levels of developed countries to 25% until they reach the 0.7% target level.

Sweden favoured many of these measures while Canada stated that although it appreciates the position on improving the quality of ODA, it wishes to concentrate its financial assistance to the poorest countries (75% of Canada's aid is aimed at countries with less than 200 GNP). It also shared the concern of the Group of 19 concerning the replenishment of the IDA.

The EEC supported the main objectives of ODA and that the EEC will increase its aid in future years. The 0.7% target set in the International Development Strategy has already been achieved by some members of the EEC. An important element was the call of cooperation between developing countries and OPEC in a combined effort to help the non-oil exporting developing countries.

Finally, there was a call on behalf of the Group of 19, by the delegate of Jamaica, in which he requested the Commission to "energize" specific action on three concentrated issues:

- contribution to IFAD (see previous session's report)
- urgent action to replenish IDA funds so that it may continue its lending activities after 1977
- providing the World Bank with additional capital to strengthen its lending position.

On the question of private flows and the problems of foreign debts of developing countries, the Group of 19 - with Jamaica as its spokesman - underlined the role of the political will of developed countries in facilitating the access of developing countries to capital markets; the issue was one of "market perception" rather than credit worthiness which is not often the objective. The U.S. voiced its support for the IFC as well as the U.S. proposal at the Seventh Special Session to establish an International Investment Trust to invest private capital in developing countries.

One of the final issues of the transfer of resources dealt with the problem of foreign debts of developing countries. The developing countries, with Pakistan as its spokesman, requested that exceptional measures be taken regarding all debts by converting them into grants in line with the Manila Declaration of the Group of 77 (March 1976). On the developed countries side, Canada, U.S., EEC and Japan in addition to Sweden, agreed to undertake debt relief measures but on a case-by-case approach since, in their view, a complete debt relief (which should be reviewed in the context of balance of payment situation) would adversely affect the credit worthiness in developing countries. Generalized solutions, in their view, would be detrimental to developing countries.

2. Transfer of Technology

The discussions surrounding this item showed the increasing divergencies of views between developed and developing countries. The Group of 19 with Yugoslavia as its spokesman, submitted a paper recommending certain specific measures in which they requested a response from the industrialized countries. These measures included - measures for increasing the capacity of developing countries for the transfer of technology; - measures for improving the international mechanisms for the transfer of technology; - and the adoption of an international code of conduct for the transfer of technology.

The developing countries further requested that the Commission should reach agreement on the international code of conduct which would be legally binding and secondly, that the next General Assembly should call a plentipotentiary conference under UNCTAD to establish such a code. The industrialized countries responded (with the U.S. delegate in the lead) that technology is not a free item but is a commodity of value with its "price tag", and he proceeded to enumerate the conditions for the successful transfer of technology (such as the existence of proper environment in developing countries, qualified personnel, adequate organization of infrastructure, research, education, training, etc.). Both, the EEC and the U.S. agreed that there should be co-operation in this field between UNCTAD and UNIDO in the fulfillment of General Assembly Resolution 3507 at its Seventh Special Session.

Sweden agreed to the need for the adoption of an international code of conduct and the creation of institutional arrangements such as national centres for technology (which would formulate technology policies, collect and assess information on existing technologies, etc.).

On two related issues, a dialogue was also engaged by the developing and developed countries: on the question of limited access to technology which was requested by the developing countries. The developed countries felt governments may not control all technological developments. Another point was the call by the developing countries for developed countries to take action to restrict the "brain drain" from the developing countries. The developed countries responded that this was not possible since they felt the immigration policy cannot be legislated and that the so-called brain drain is a benefit to the world community at large.

The UNIDO representative submitted a statement on the transfer of technology, which was distributed in the Commission. The statement made covered the role of technological development as a critical factor in modern industry, the need for national planning, the importance of international co-operation and, finally, UNIDO's activities in this area (see Annex III).

Finally, a very succinct statement, by the Jamaican delegate, highlighted the basic disagreement between the Group of 19 and the Group of 8 on the question of the transfer of technology: developing countries require advanced technology for building up a modern production structure. The transfer of technology is for the advancement of all mankind. On the other hand, developed countries insist that this transfer takes place on a commercial basis. The commercial principle alone should not govern the transfer of technology to the developing countries.

With reference to the consensus document which was approved by the last session in March (please see report on March session) concerning the request by the Commission for Development for the Secretary-General of the U.N. to ensure that the contribution to the International Fund for Agricultural Development (IFAD) would be forthcoming and to inform the Commission at the next session on the status of the contributions, the representatives of the World Food Council advised the Commission on the contributions which have been confirmed or re-confirmed by category I, II, and III countries and as a result of which the Secretary-General is convening (pursuant to General Assembly Resolution 3503 (XXX Session)) a U.N. Conference on the establishment of an International Fund for Agricultural Development to be held in Rome, June 10-11 (please refer to Annex IV for detailed statement).

3. Industrialization

Turning to industrialization, this final item on the agenda created greater divergencies of views between the two groups and in fact, there was a tangible hardening of the position of the group of industrialized countries. Pakistan, on behalf of the Group of 19, submitted a position paper (please refer to Annex I) giving the main thrusts for new approach to industrial development on the basis of previous UN resolution: with the restructuring of world industry, the establishment within UNIDO of a system of continuing consultations is urgent. Other important measures include trade, financial and technical assistance, and international industrial co-operation. Included under this item is the call for converting UNIDO into a specialized agency and the establishment of an Industrial Development Fund called for in the Lima Declaration and Plan of Action.

- The debate on industrialization concentrated on two sub-items:
- a general analysis of the situation in industry including world industrial structure;
 - measures to be undertaken in the framework of international co-operation to accelerate industrialization of the developing countries.

The UNIDO distributed a paper entitled "Towards industrial restructuring through international industrial co-operation: suggestions on ways and means for implementing Lima" which highlighted the following aspect of industrialization of developing countries which are a direct outcome of the Lima Declaration and Plan of Action and of the Seventh Special Session of the General Assembly, and the targets established in these resolutions (please refer to Annex V):

- I - Conclusion reached at Lima;
- II - Restructuring World Industry;
- III - Industrial Co-operation.

The first response from the Group of 8 came from the EEC which stressed industrial co-operation at the enterprise and government levels and he referred to the Lomé Convention between the EEC and the ACP countries which includes a chapter on industrial co-operation. Canada on the other hand, listed the external constraints to industrialization such as the barriers to the processing of raw materials. The position of Sweden was very close to the Group of 19 and he emphasized that the establishment within UNIDO of a system of consultations is an essential vehicle to bring about industrial development in developing countries. The US spelled out its strong reservations on the system of consultations but suggested that the U.S. was prepared to join with other UNIDO members in devising a workable system of consultations which would have as its objective the increase in the number of industrial plants in developing countries. Consultations, in his opinion, should concentrate on sectors such as iron and steel and fertilizers. A second reservation by the US was on the question of re-deployment which in their view cannot be undertaken by government fiat since US government is powerless to order private plants to relocate. On the other hand, US firms have already re-deployed on their own initiative. The importance of the private sector as a contributor to industrialization and a transmitter of technology was stressed. International measures proposed by the US to promote industrial co-operation include:

- (a) proposal at the Seventh Special Session by the US to strengthen the IFC;
- (b) creation of International Investment Trust as part of the IFC to help increase access of developing countries to capital markets and
- (c) the setting up of an International Industrialization Institute.

Partly in response to this statement by the US, the Algerian delegate reiterated in stronger terms the position of the Group of 19 by emphasizing that developing countries would not blindly accept the private sector in their industrialization process. He called for the establishment of a "guarantee fund" to secure developing countries against the practices of developed countries in relation to new industries established in developing countries.

Concerning the restructuring of world industry, the EEC mentioned that it is ready to consider measures for adjustment of the world industry and that in fact, it has taken certain specific measures such as re-training and re-settlement of workers affected by structural unemployment, for the purpose of which a special fund has been created. He cautioned about the sensitiveness of the industrial restructuring issue during times of economic uncertainties and that expanding economy would stimulate industrial restructuring.

As time was running out at this last day of the session, the Chairman offered several alternatives for closing the debate, for extending the session by one more day and finally, for resuming the debate on industrialization during the June session beginning on 8 June. As there was a consensus on the last proposal, it was therefore agreed that the industrialization issue would be continued in the forthcoming session.

The session did not, however, end on a positive note. The Yugoslave delegate presented a draft consensus document on the debate on the transfer of resources and the transfer of technology. This was in fact, unacceptable to the US since in their view, it lacked substance and concrete proposals. A small drafting working group consisting of Yugoslavia, Zaire, Pakistan, US, EEC, and Sweden convened to redraft the consensus document but, it appears that no agreement has been reached and the session ended, therefore, without an agreed document reflecting the consensus of the Commission on the discussions which took place.

Commission on Raw Materials

General tone of discussions

As mentioned previously, the Raw Materials Commission had before it a set of 7 papers which were presented by the Group of 19 during the March session. On the outset, there appeared to be a complete lack of response from the Group of 8 developed countries which stems from the fact that the developing countries wished their papers to be discussed as a "package" in conformity with the "integrated approach" agreed to during the Manila meeting of the Group of 77 while the developed countries with the US and Japan arguing that due to the complexity of such problems as commodity problems, stocking arrangements, etc., they should be dealt with separately. Once this procedural matter was disposed of through informal meetings, the Commission proceeded to consider the reaction of the Group of 8 to the Group of 19s position papers and a fruitful dialogue ensued although specific agreement and/or understanding was not reached on all issues. As in the Commission for Development, serious issues such as the setting up of a common fund, while acceptable to the industrialized countries as a general principle and a catalytic agent, they were unwilling at least for the time being, to discuss "the nuts and bolts" of the fund such as its operation, levels of contributions, etc.

The question of stocking arrangements and compensatory financing was reviewed by the EEC and Japan with the EEC giving a partial acceptance of the system as far as specific commodities are concerned and where international agreements are in the process of being concluded such as for tin, cocoa, and coffee. Japan reflecting a position already taken by the US expressed certain specific reservations on government intervention in the functioning of the free-market forces and that persistent low commodity prices on the international market could not be solved by stocking arrangements alone. Further, some commodities are not suitable for stocking arrangements. The US disagreed with the common fund proposal because it assumed government intervention and that there was

no validity in the argument that internationally held buffer stocks was the only method for commodity price stabilization and that the common fund would economize the stocking operation and reduce stock holding in developing countries. According to the Japanese delegate, buffer stocks may solve the problem of excessive price fluctuation but not the problem of stagnant prices. There was an interesting exchange of views between the observers such as UNCTAD and the Commission which addressed certain specific questions on the role of buffer stocks in market stabilization, the characteristics of the case-by-case approach and the ways and means of financing the common fund.

The group of industrialized countries reacted on the paper on indexation presented by the Group of 19 by focusing on the one hand on the theoretical problems associated with the economic justification of such a complicated mechanism and on the other, on the practical problems of computing such an index. They assumed that indexation would be used as a substitute for the free play of market forces which for many of the Group of 8 countries - such as US and Japan, pre-supposes government intervention and a freeze on prices, price fixing, or an artificial rising of prices which may lead to market distortion and misallocation of aid. They were also extremely worried about the economic consequences of indexation.

On compensatory financing, there appears to be a greater divergency of views between the two groups of countries. The EEC as well as Japan, the US all supported compensatory financing facilities with some reservations. The US would like to see compensatory financing coming as part of a substantial liberalization of the IMF facility (Special IMF Trust Fund) and secondly, that it should be regarded as a first line of defence to redress the balance of payment difficulties stemming from export earning fluctuations. Towards the end of the debate of the Raw Materials Commission, a strong attempt was made by the Group of 19 to "energize" the discussion and get it to tackle broad principles and reach agreement on them instead of discussing technical details of different agenda items which was not the purpose of the Paris Conference.

Regarding the Group of 19 paper on the Promotion of Raw Materials in Developing Countries and Access to Markets, the developed countries such as the EEC, Japan, and Australia expressed "understanding" for the aspirations of the developing countries to promote the processing of raw materials, of which they had a small share. This is connected with industrialization, which was discussed in the Development Commission. The US agreed with some measures to stimulate a greater share of raw material processing within the developing countries: reduction of tariff escalation (MTN), removal of non-tariff barriers, and technology transfer.

The final discussion involved the Group of 19 paper on transport marketing and distribution of raw materials. This paper did not produce too divergent views on the part of the developed countries who stated their willingness to assist in establishing and expanding the necessary infrastructural facilities in developing countries to allow for a minimization of transport cost (EEC, Japan). The US however questioned the priority being given to investment in ocean shipping, because in their view, discriminatory practices to encourage investment by developing countries in shipping resulted in anti-competitive measures which are economically wasteful.

Towards the closure of the debate, the Chairman (Peru's Ambassador Carlos Alzamora) acting as spokesman for the Group of 19, expressed some impatience at the response of the Group of 8 to the proposals presented by the developing countries in the Commission on Raw Materials:

1. The Group of 8 countries have gone beyond a discussion of general principles. Emphasis at Paris Conference should be agreement on general principles leaving technical details to be worked out in Nairobi (UNCTAD IV).
2. Principle to establish a Common Fund should be left to Nairobi; but negotiations could start on buffer stock arrangements.

3. Paris Conference should bring about a structural change in commodity market.
4. Entirely free market mechanisms are an unrealistic tool to foster economic advancement of developing countries.
5. Refusal by the Group of 8 countries to accept new mechanisms proposed by the Group of 19 countries would lead to confrontation.
6. There are some positive elements in the Group of 8 countries' position which should give prospects for negotiations in Nairobi.

Conclusions and Findings

From the general tenor of the debate on the Commission for Development and Raw Materials, the following conclusions could be arrived at:

1. So far, the Conference can be characterised as a "debating forum" for an exchange of views between the developing and industrialised countries on broad economic, inter-disciplinary issues. It has succeeded on the one hand in focusing on certain areas of convergence (such as food and agriculture) and, on the other, in identifying the points of divergence (trade, balance of payments, transfer of resources and technology, industrialization, common fund, buffer stocking arrangements). With regard to the former (areas of convergence), the Commission on Development was able to formalize action through the adoption of "a Consensus Document", adopted during the March session concerning the financing of the International Fund for Agriculture Development (IFAD) (see report on March session, Annex I, page 10).

2. At the end of the April session, the developing countries have voiced some impatience for hard and concrete results to the deliberations. It should be noted, however, that the time span so far allowed for each session of the Conference (about 7-9 days in each of February, March and April) has made it difficult to tackle in depth the whole range of issues submitted to each Commission for discussion.

3. Regarding the suspended debate on Industrialization which will be continued during the fourth session of the Conference (on June 8-16), it should be noted that:

(a) there was a great deal of support for UNIDO. This support was particularly apparent in the Group of 19 paper on "Industrialization". This paper fully supported the transformation of UNIDO into a separate agency, the creation of the Industrial Development Fund as well as the establishment of a system of consultations. Support also was forthcoming from various delegations of the Group of 8;

(b) support for UNDP activities was also strong, including all delegations of the Group of 8. It is likely that the short-term financial problems of UNDP may be overcome by 1977.

4. In the Commission on Raw Materials, the Group of 19 had already developed basic and well set out position papers on specific issues (compensatory financing, the common fund, indexation, commodity stocking arrangements), while other Commissions faced some difficulty in pin-pointing the sub-issues or sub-themes under each general heading as in the Commission for Development, which had to tackle the broad issues of trade, agriculture and food, industrialization, etc., etc. Because each of these issues covers such a broad range of problems, the position of the Group of 19 in the Development Commission lacked detailed specificity; their approach therefore lacked certain priority and cohesion. This permitted the Group of 8 to expound in very general terms their response to the Group of 19 proposals thus avoiding specific issues which they preferred to "gloss over".

5. The future of the Paris dialogue is not in doubt and UNIDO should continue to be involved closely in its deliberations. For this to be done, however, a strengthening of the UNIDO representation should be considered.

6. The success of the Paris dialogue is now linked to developments at UNCTAD IV at Nairobi. The Group of 19 expects that the developed countries will make concrete counterproposals at the Nairobi proceedings which may then give an added impetus to the subsequent deliberations at the Paris Conference (see Annex II).

ANNEX I

Received: - 3 MAY 1976

X CONFERENCE SUR
LA COOPERATION
ECONOMIQUE
INTERNATIONALE

CONFERENCE ON
INTERNATIONAL
ECONOMIC
CO-OPERATION

CONFERENCIA SOBRE
LA COOPERACION
ECONOMICA
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negotiations Sec
التعاون
الاقتصادي
الدولي

COMMISSION: DEVELOPMENT

28, APRIL 1976

SUBMITTED BY: GROUP OF 19

SUBJECT: INDUSTRIALIZATION.

II. PERMANENT SYSTEM OF CONSULTATION.

III. OTHER MEASURES, INCLUDING TRADE, FINANCIAL AND TECHNICAL ASSISTANCE, AND INTERNATIONAL INDUSTRIAL COOPERATION.

I. RESTRUCTURING OF WORLD INDUSTRY

1. Resolution 3362 (S-VII) adopted by the Seventh Special Session of the UN General Assembly emphasized, in Chapter IV related to industrialisation, the necessity of redeployment of world industry and its restructuring, based on a greater utilisation of the natural and human resources in the developing countries.

2. It is recognised that the free play of market forces is not the most suitable means of promoting industrialisation on a world scale, nor of achieving effective international co-operation in the field of industry. Therefore, with a view to achieving the goal of international industrial restructuring, the developed countries should adopt the following measures:

- (a) Urgent adoption of policies which would encourage their industries which are less competitive internationally to move into other lines of production, thus leading to structural adjustments within the developed countries and redeployment of the productive capacities for such industries to developing countries and necessary additional measures, as well as promotion of a higher degree of utilisation of natural and human resources in the developing countries;

- (b) Contribution to setting up new industrial capacities, including raw materials and commodity transformation facilities as a matter of priority in the developing countries that produce those raw materials and commodities;
- (c) Supporting measures in developed countries - including adjustment assistance measures - particularly in sectors where the competitive advantage lies with the developing countries;
- (d) Adoption and implementation of appropriate measures, including assistance to developing countries, in improving the competitiveness of their processed raw materials, with respect to synthetics and substitutes.
- (e) Ensure that trans-national corporations reorient their activities towards more complete manufacturing in developing countries and towards further processing therein of raw materials for both the domestic and foreign markets in conformity with the laws and regulations of the host developing country.

II. PERMANENT SYSTEM OF CONSULTATION

1. The Seventh Special Session approved that, ^a permanent system of consultations should be established at the global, regional, inter-regional and sectoral levels within the United Nations Industrial Development Organisation, and other appropriate international bodies, and between developed and developing countries, in order to facilitate the achievement of the goals set forth in the field of industrialisation, including the redeployment of certain productive capacities existing in developed countries and the creation of new industrial facilities in developing countries. The Seventh Special Session also decided that the UNIDO should serve as a forum for negotiation of agrecments in the field of industry between developed and developing countries, at the request of the countries concerned. Such a system of consultations should have, inter alia, the objective of giving concrete content and determining the practical modalities of carrying out world industrial restructuring. UNIDO should envisage an indicative list of industrial sector for this purpose.
2. Consensus should be reached on the immediate implementation of the decision to establish the system of consultations at global, regional, inter-regional and sectoral levels within ^{UNIDO} and other appropriate international bodies, in particular UNCTAD, in order to facilitate the achievement of the aforementioned goals.
3. The developed countries should take concrete and necessary measures to actively support and effectively participate in the system of consultations.

III. OTHER MEASURES, INCLUDING TRADE, FINANCIAL
AND TECHNICAL ASSISTANCE, AND INTERNATIONAL
INDUSTRIAL COOPERATION.

Trade:

9. A comprehensive strategy would be essential to expand and diversify the export trade of developing countries in manufactures and semi-manufactures, with a view to accelerating industrial development of the developing countries and to achieving the goals set by the Declaration and Programme of Action adopted at Lima. Although the question of access to markets for manufactures and semi-manufactures was considered in this Commission under the area of trade, it is also intimately related with the problem of industrialisation. In order to give a fresh stimulus to the rate of industrial development of developing countries, it is proposed that we should reach consensus on the following measures in this field:

- (a) The GSP should be improved, made permanent, and its coverage extended to products of export interest to developing countries; all discriminatory and restrictive aspects of the Schemes should be removed.
- (b) Developed countries should apply the principle of generalised preferential treatment in favour of developing countries to non-tariff barriers and other trade policy measures.
- (c) Developed countries should adhere strictly to their commitment to the principle of standstill.
- (d) Arrangements requiring developing countries to "voluntarily" restrain their exports should not be prolonged or multiplied.
- (e) Developed countries should agree on international

measures to be elaborated within the framework of UNCTAD aimed at improving the control of restrictive business practices ^{affecting} adversely the trade in manufactures and semi-manufactures of developing countries.

10. In spite of the good intentions manifested in the Tokyo Declaration, which officially launched the current MTN, so far no tangible progress has been made, particularly in respect of the interests of the developing countries.

11. With respect to MTNs, concrete application of differential measures, binding commitments, and special procedures, should be adopted for the developing countries. Special treatment should be extended to the least developed among the developing countries.

11 bis. In this negotiation, there should be an strict adherence to the principle of non-reciprocity. The question of the eventual contribution of the developing countries should not be considered until the objectives and commitments of the Tokyo Declaration in their favour are adequately fulfilled.

12. In addition, the following specific decisions should be reached urgently, in the context of MTNs:

- (a) Immediate elimination or liberalisation of quantitative restrictions and other non-tariff barriers.
- (b) Recognition of the right of developing countries to accord subsidies in the context of their development and industrialisation

policies, without giving rise to the application of countervailing duties.

- (c) Exemption of the developing countries, in principle, from the application of safeguard measures.
- (d) Immediate consideration should be given, in accordance with the Tokyo Declaration, to reforming the provisions of GATT, including part IV, in order to provide on a mandatory basis for differentiated and more favourable treatment to developing countries, and for extension of these principles to the existing codes and those that may be drawn up.

13. Financing and technical assistance measures.

AS for industrial financing, the developing countries propose the adoption of the following measures:

- (a) Developed countries should assist developing countries in setting up financial institutions required by them for development and promotion of their industries and exports.
- (b) International financing institutions should grant programme loans to industrial sectors -in addition to the project loans, as well as provide medium- and long-term refinancing facilities for the exports of developing countries.
- (c) International private investment and the financing thereof should be adapted to the industrial needs of the developing countries, in accordance with their national legislation and policies.

- (d) Developed countries should make available, through bilateral and multilateral channels, larger amounts of financial aid to assist the industrialisation of the developing countries, commensurate with and suited to achieving the 25 per cent share for these countries in world industrial output by the year 2000, as set out in the Lima Declaration and Plan of Action.

14. As regards technical assistance programmes, the developed countries should adopt the following measures:

- (a) Contribution to the development of structures for professional training and middle management training such as institutes or centres for training of workers, and research laboratories;
- (b) Contribution to the financing of integrated training programmes and scientific research;
- (c) Execution and management in the developed countries by competent organizations;
- (d) Effectiveness assured as far as possible by the Governments of the developed countries, especially as regards the quality of personnel;
- (e) Integration and Co-ordination with the long-term programmes of individual developing countries;
- (f) Ensurance of the continuation and maintenance which are indispensable conditions for the fulfilment and functioning of the projects;

- (g) Execution by personnel capable of accepting the living and working conditions in the developing countries concerned;

International Industrial Co-operation.

15. With a view to strengthening international cooperation in the industrial field developed countries should:

- (a) Encourage their enterprises to participate in investment projects within the framework of the development plans and programmes and policies of the developing countries who so desire, to do everything to ensure that such activities are carried out in accordance with the laws and regulations of the developing countries concerned.
- (b) Extend cooperation to the governments of the developing countries, as appropriate, in order that the activities of the transnational corporations of developed countries in developing countries are in conformity with the economic and social aims of the developing countries.
- (c) Cooperate in the identification of industrial activities that could be the subject of industrial collaboration arrangements and effectively promote their implementation.
- (d) Extend full support to the international institutions providing assistance to industrial development and trade expansion of the developing countries.
- (e) Support the early implementation of the decision to convert UNIDO into a Specialized Agency and the creation of the Industrial

Development Fund decided in the Lima Plan
of Action.

15. Cooperation between UNCTAD and UNIDO should be
strengthened in relation to industrialisation and trade.

DECLARATION OF THE GROUP OF 19 DEVELOPING COUNTRIES
PARTICIPATING IN THE CONFERENCE ON INTERNATIONAL
ECONOMIC CO-OPERATION (CIEC)

The Group of 19 Developing Countries participating in the Conference on International Economic Co-operation (CIEC) at the end of the third session of its Commissions and on the eve of UNCTAD IV at Nairobi declares:

1. UNCTAD IV constitutes, since the 7th Special Session of the United Nations General Assembly, the first international event on a world-wide basis where all members of the international community will be called upon to demonstrate by joint action their political determination to achieve the common goals towards the establishment of the New International Economic Order.
2. The Group of 19 expects UNCTAD IV to achieve significant progress in finding solutions to economic problems of importance to the international community and particularly to the developing countries.
3. In its participation in CIEC, the Group of 19 - being an integral part of the Group of 77 - is guided and inspired by the Manila Declaration and Programme of Action.
4. The Group of 19 had hoped that the discussions held with the developed countries during the initial stages of the work of CIEC in a propitious atmosphere and which had led to a clear identification of the solutions to the problems would lay the foundation for the future work of the Conference. However, the Group of 19, having submitted concrete proposals in

.../...

various fields for achieving the objectives of CIEC without receiving so far positive reactions or constructive counter-proposals, expresses its dissatisfaction with the slow pace of progress of the Paris Conference. This is mainly due to the lack of positive political will on the part of a few developed countries which are delaying the process of understanding and co-operation to which all developing countries and most of the developed countries are committed.

5. The Group of 19 categorically states that the on going work in Paris should in no way preclude or delay the adoption of decisions at the Nairobi Conference.

6. Indeed the Group of 19 is convinced that, unless substantial results at the IVth UNCTAD are reached, the future of the dialogue in CIEC intended to address the problems identified by the Ministerial Conference and to further international economic co-operation for the benefit of all countries and peoples would be jeopardised. On the other hand, if UNCTAD IV succeeds in its endeavours, the chances of success at CIEC would be greatly enhanced.

STATEMENT ON TECHNOLOGY

UNIDO

CONFERENCE ON INTERNATIONAL
ECONOMIC CO-OPERATION

26 April 1976

D R A F T

Mr. Chairman,

Thank you for this opportunity given to the UNIDO delegation to contribute to the work of this Committee.

I would like to remark that one UNIDO paper on the broader issues of industrialization has been distributed and another on technology will be circulated later. Our statement will now be confined mainly to industrial technology.

We will restrict our comments to a few aspects of the problem, which may have special relevance to discussions in the Committee. We will also concisely mention some UNIDO activities in this area.

THE MAGNITUDE OF THE PROBLEM:

The implication of the Lima target can be translated as follows: between now and the year 2,000, developing countries will have to install and operate an industrial capacity roughly of the same magnitude as all industrial capacity now existing in the OECD countries.

To reach the Lima target, thus, developing countries will have to make massive use of know-how and technology for planning; design; engineering; construction; operation; process and product development and application.

It is recognized that true industrial development implies full technological capability. Developing countries are thus faced with the imperative task of acquiring such capability. For them, this will generally require planning technological development at the national level. Such planning is, admittedly, not easy. In developed countries themselves, certain ambitious plans failed, at national and at enterprise level.

Even centrally planned economy countries have encountered great difficulties in planning and implementing the creation and application of industrial technology, specially at the enterprise level. Developed countries are not in a much better position than developing countries in national planning of technological development. Developing countries may make their own contribution in this respect.

It has been suggested that

- Today, politics depends on economy
- Economy depends on technology
- Ergo (hence) politics depends on technology

THIS MAY BE, OF COURSE, A BIASED OR PARTIAL VIEW OF THE PROBLEM.

IN ANY CASE: Political and economic power, as much as social development depend on technology.

Mr. Chairman,

I hope you will pardon me if I refer to the old story about the seven blind men who, going along a country road, suddenly found an elephant blocking their way. Each of them touched a different part of the elephant and each had a very different idea on what it was and on how to remove it from their way.

Similarly, government planners, industrial managers, scientists and ANYONE involved in industrial technology development have, sometimes, the disturbing feeling that they lack a precise idea on what technology really is, how it behaves and how to control and make full use of it.

However, there is no alternative. Developing countries must develop their own technological capability if the Lima target is to be reached. They must increase national efforts towards this goal and the co-operation of developed countries will be essential.

The question is often raised: isn't full use of technology contradictory with the availability in developing countries, of abundant and low cost labour? Some of the answers are the following:

1. use of technology does not necessarily imply the use of the most capital intensive, fully automated processes;
2. among developed countries one finds some of the most populous and most densely populated countries in the world;
3. a refusal to make full use of technology would imply acceptance, by developing countries, in the long term, of some kind of "second class industrialization" with loss of efficiency, competitiveness and loss of speed in the industrialization process.
4. In any case, even the effective absorption of technology transferred from abroad requires a local technological capability in developing countries.

It could be argued, in fact, that more than the absolute volume of industrial production reached by 2000, it will rather be the degree of technological self-reliance, and the quality and sophistication of the goods produced that will be the true measure of the success of developing countries in their efforts to industrialize. The PROBLEM: not restricted to "patents", or to "research". Covers a whole range of technological functions.

In the short term, however, developing countries will necessarily be heavy net importers of technology. Thus the importance of discussing technology transfer through a variety of mechanisms, in general and technology and know how trade, in particular.

If technology can be thought of as a "commodity", or an "intermediate good". It is a special commodity because it is:

1. Intangible in the physical sense.
2. It is not consumed by use.
3. Its value may decrease with time through obsolescence or increase through improvement.
4. It is specific (for given conditions, materials, products, market, etc.).

Consequently, it is extremely diversified.

5. It is one of the most valuable commodities used in industry and traded internationally
6. Its production depends primarily on "human ware".
Certain factories of technology have become famous: Bell Telephone Laboratories 1947 transistor. The volume of hardware, the value added of industrial products arising from this original development have, perhaps, no parallel in industrial history.

The specific cost and price of goods or services are higher the higher their technological content.

Example: - Fe ore = 10 - 20 US\$/t
- Semi-finished steel 100 - 200 US\$/t
- Machinery = 5,000 - 10,000 US\$/t
- Electronic equipment = 20,000 - 100,000 US\$/t

Developing countries generally rely heavily on exports of low technological content goods 10 - 1000 US\$/t but imports include items of high technological content worth 5,000 - 100,000 US\$/t.

National technological planning must include careful analysis of:

1. National technological accounts = specially demand and supply of technological by industry.
2. Technological trade balance: value of explicit and incorporated technology traded.

In this light: Developing countries technology balance = highly negative (for the more advanced of developing countries it may mean "deficits" of hundreds of millions US\$/year.

This alone would require maximum effort to develop national technological capability.

EXAMPLE

UNIDO has been able to quantify the Lima target for the iron and steel sector in a preliminary way.

Developing countries will have to install, between now and 2000, some 550 Mt/yr of iron and steel capacity. Considering all investment involved, including infrastructure and some up-stream activities this will mean an investment of some \$ 500 billion.

Of these, some 10% will correspond to explicit technology (know how engineering, technical services, etc.) and another 15-20% will correspond to "implicit" technology. (incorporated in the equipment required). This leads to a value of the order of \$ 100 - 150 billion for know how and technology.

The magnitude of the figures suggest that there is no alternative but to try to "produce" a good part of the required technology locally.

Even so, very large amounts will have to be spent for import (transfer) of technology. This flow must be carefully regulated, however necessary imports may be.

It is a remarkable fact that some of the most advance industrialized nations are in fact net and heavy importers of explicit technology and "know-how". However, some of these nations with negative balance of explicit technology have extraordinary surpluses in their overall technological balance due to their heavy exports of incorporated technology, i.e., the high technological content of goods exported.

Insofar as imports of technology are concerned, the case is similar to that of oil: No inconsistency in striving for maximum local production of such valuable commodity while, at the same time, importing as much as needed to maintain the dynamics of economic and industrial growth.

The imperative with technology is to apply it: as intensely and quickly as it is available.

Pragmatic goal should not be technology itself. Technology should be the means to pragmatic objectives, namely:

- increase production
- increase productivity
- improve quality

It is in such areas that the co-operation of developed countries could make a decisive contribution to industrialization of developing countries through transfer of technology.

EXAMPLES OF ACTION BY UNIDO

1. Creation of centres for industrial technology - specially fruitful "pairing".
2. Assistance to developing countries to locate, evaluate, select, negotiate and apply industrial technology to specific cases.
3. In-plant training schemes have been organized with co-operation of developed countries. These could and should be much expanded and made full use of, by developing countries.
4. The establishment of information centres has been the object of technical assistance. Establishment of information data banks, are now being considered by UNIDO, according to the recommendations made in Lima and the decision of the General Assembly.

Regarding the questions raised on UNIDO's programmes in technology the following information is relevant:^{1/}

1. At the Second General Conference of UNIDO a resolution, ID/CONF.3/RES.2, was adopted in which the Executive Director of UNIDO was requested to prepare a concrete co-operative programme of action to promote the creation, the transfer and the use of appropriate industrial technology for developing countries primarily related to specific branches of industry as well as to social conditions. A report was to be submitted through the Industrial Development Board and the Economic and Social Council to the General Assembly at its thirty-first session, in which recommendations were to be made on the ways and means of implementation.

2. The objectives of the above resolution have been reflected in the work programme of UNIDO for 1976, which includes specific projects oriented towards the development of appropriate technologies in specific sectors of industry. Furthermore, UNIDO, under its newly established International Centre for Industrial Studies, will organize a meeting of heads of research institutes engaged in appropriate technology research with a view to obtaining their participation in a co-operative effort for the development of such technology. This meeting is scheduled for October 1976, and it is expected that it will lead to a meaningful programme of co-operation in the field of appropriate technology.

3. The development of the above activities and the further discussions to be held throughout 1976 will put UNIDO in a better position to evolve a comprehensive programme of action with recommendations on the ways and means of its implementation. Subject to the Board's approval, this would be contained in a report to be submitted to the eleventh session of the Board, whereafter it would be transmitted to the General Assembly at its thirty-second session.

^{1/} ID/B/161 of 11 March 1976



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A N N E X I V
world food council
conseil mondial de l'alimentation
consejo mundial de la alimentación

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STATEMENT OF MR. ALAIN VIDAL-NAQUET, SPECIAL ASSISTANT TO THE
EXECUTIVE DIRECTOR OF THE WORLD FOOD COUNCIL, TO THE COMMISSION
ON DEVELOPMENT OF THE CONFERENCE ON INTERNATIONAL ECONOMIC COOPERATION

Paris, 27 April 1976

I am glad to be able to report some very positive developments on the establishment of the International Fund for Agricultural Development.

Last March, the Commission on Development urged, through the Secretary-General of the United Nations, that all countries in a position to contribute, and particularly countries in Categories I and II, indicate the amount of their contributions to the proposed International Fund for Agricultural Development before the 15th of April 1976.

The World Food Council secretariat is now in a position to report the following developments to the distinguished members of this Commission:

For Category I, the following countries have reconfirmed or announced their contribution to the Fund. They are, in US\$: USA, 200 million, Federal Republic of Germany, 50 million, the Netherlands, 40 million, UK, 30 million, Canada, 30 million, Sweden, 25 million, Norway, 11 million, Switzerland, 8 million, Denmark, 5 million, Ireland, 1 million. In addition, Japan, Italy, Australia, Belgium, have indicated that they will contribute to the Fund.

In Category II, the developing donor countries, there have been a number of developments. You will recall that at the third Meeting of Interested Countries held in February 1976, the representatives of OPEC countries announced the recent creation of a new OPEC Special Fund with initial contributions of \$800 million, to provide interest free loans to developing countries for development projects and balance of payments support and to make contributions to international development agencies for the benefit of developing countries. They indicated that OPEC countries would be making a collective contribution from the OPEC Special Fund.

On 15 April, the Secretary-General of the United Nations received the representative of Venezuela, Mr. Perez Guerrero, the Minister of State for Economic Cooperation, who informed him that the OPEC Group of countries would soon decide on the collective contribution to be made from the OPEC Special Fund to IFAD.

Mr. Waldheim has also been informed that the representatives of the OPEC countries would meet for this purpose around 10 May 1976.

It should also be noted that Saudi Arabia announced on 21 April 1976 a separate contribution of 50 million US\$ to IFAD.

In Category III, the other developing nations, nine governments have indicated that they intend to join the Category, with some of them also expressing their intention to contribute to the Fund.

As a result of these developments, the Secretary-General of the United Nations, Dr. Kurt Waldheim, has decided to convene the United Nations Conference on the establishment of an International Fund for Agricultural Development in Rome from 10 to 11 June 1976, in accordance with paragraphs 2 and 3 of Resolution 3503 (XXX) of the General Assembly. Under the terms of that Resolution the Conference is expected to adopt and open for signatures the agreement for the establishment of the Fund which is to become a Specialized Agency of the United Nations.

The cable sent on 22 April by the Secretary-General to Foreign Ministers of all States read as follows:

"Have the honour to inform you that pursuant General Assembly resolution 3503 (XXX) the United Nations Conference on the establishment of an International Fund for Agricultural Development will be held in Rome on 10 and 11 June 1976. Invitation letter and documentation follow".

We at the World Food Council secretariat, as I am sure you are, are greatly heartened by these developments. We believe they represent a major step forward in implementing, in a very tangible and practical way, one of the most important resolutions of the World Food Conference.

X CONFERENCE SUR
LA COOPERATION
ECONOMIQUE
INTERNATIONALE

CONFERENCE ON
INTERNATIONAL
ECONOMIC
CO-OPERATION

CONFERENCIA SOBRE
LA COOPERACION
ECONOMICA
INTERNACIONAL

مؤتمر
التعاون
الاقتصادي
الدولي

COMMISSION: Development

SUBMITTED BY: UNIDC Secretariat

SUBJECT: TOWARDS INDUSTRIAL RESTRUCTURING
THROUGH INTERNATIONAL INDUSTRIAL CO-OPERATION:
SUGGESTIONS ON WAYS AND MEANS TO IMPLEMENT
THE DECISIONS TAKEN AT THE LIMA CONFERENCE

CONFERENCE ON INTERNATIONAL ECONOMIC CO-OPERATION

COMMISSION ON DEVELOPMENT

CCEI-DE-

Original : ENGLISH
15 April 1976

Submitted by : UNIDO

TOWARDS INDUSTRIAL RESTRUCTURING THROUGH INTERNATIONAL INDUSTRIAL
CO-OPERATION : SUGGESTIONS ON WAYS AND MEANS TO IMPLEMENT THE
DECISIONS TAKEN AT THE LIMA CONFERENCE

Submitted by UNIDO Secretariat

INTRODUCTION

The international gatherings which took place in 1974 and 1975 have placed the problems of industrialization in a new perspective. The Resolution of the 6th Special Session of the General Assembly recommending the establishment of a new international economic order contains a section on industrialization which is quite explicit in this respect^{1/}.

The issue is not to consider the industrialization of developing countries as an isolated process depending only on the own efforts of those countries and on some assistance from outside; it is to consider world industry as a whole, the parts of which are interdependent, and to bring into being a new international economic structure which should increase the share of the developing countries in world industrial output. The General Assembly, at its 29th Session, contributed an additional element to this concept when it recommended that the Lima Conference should "define quantitative targets to achieve the goal of substantially higher participation of the developing countries in world industrial production and establish appropriate machinery for their implementation"^{2/}.

1/ Resolution A/RES/3202(S-VI), Section III.

2/ Resolution A/RES/3306(XXIX), point 4.

Following those guidelines the Lima Conference adopted a Declaration and Plan of Action on Industrial Development and Co-operation^{3/} which has already led to follow-up action unanimously decided by the Industrial Development Board of UNIDO^{4/} and which was subsequently endorsed by the 7th Special Session of the General Assembly^{5/}.

The present paper does not discuss in detail those issues which have been dealt with and agreed upon in other fora. Its aim is to present suggestions for action which might contribute to the implementation of the objectives agreed upon by the Lima Conference and the 7th Special Session of the General Assembly. In order to do this it will be useful to start with a synopsis of the main ideas which emerged from Lima and from the debates which took place before and after the Conference.

The paper does not examine all the problems which are relevant to the vast subject of industrialization. It concentrates on those issues which could be of major interest for the dialogue established by the Conference on International Economic Co-operation, namely those which are directly related to co-operation between developed and developing countries. Consequently, it deliberately leaves aside the discussion of such equally important issues as, for instance : action to be taken internally by developing countries for their own industrial development and for industrial co-operation between developing countries through subregional integration schemes or at regional and inter-regional levels.

3/ Document PI/38 (UNIDO).

4/ Resolution ID/B/RES.45(IX) (UNIDO).

5/ Resolution A/RES/3362(S-VII).

I. MAIN CONCLUSIONS REACHED BY THE LIMA CONFERENCE

The Lima Declaration and Plan of Action deals with a number of issues related directly or indirectly to industrialization. It contains in particular recommendations relating to trade, financing, raw materials, transfer of technology and transnation corporations, which had been discussed previously in other fora; participants found it useful to reincorporate them in the Declaration and Plan of Action since they are important for industrial development.

Nevertheless, in order to further elaborate on the action to be taken directly in the field of industry, it may be useful to present a synopsis of the main trend of thought which developed during the preparations for the Conference and at the Conference itself^{6/}:

1. Industrialization is not an aim in itself, but one major instrument for the implementation of the development objectives which each developing country determines according to its own conditions and principles. Many countries put emphasis on the satisfaction of the basic needs of the great masses of the population, and on the progressive achievement of self-reliance. In that context, they do not consider industry simply as a branch of activity among others, but as a main stimulus for the development and modernization of the whole society. In conformity with its objectives and having in mind the inter-relationship between industry and other sectors, particularly agriculture, each country elaborates its own strategy and policy of industrialization: they aim at establishing a full industrial network including as many high-technology sectors as possible that can induce further industrialization through backward and forward linkages^{7/}.

^{6/} Among the many documents issued in connexion with Lima the following ones are particularly relevant:

- Report of the 10th Session of the Committee for Development Planning (E/5478).
- "International Industrial Co-operation", Report of Expert Group Meeting, Paris, June 1974 (ID/132) (UNIDO)
- Preliminary Note for the Preparation of A Plan of Action on Industrialization (ID/B/C.3/27) (UNIDO)
- Report of the Second General Conference of UNIDO (ID/CONF.3/31)

^{7/} See for instance Conference of the Group of 77, preparatory to the Lima Conference, held in Algiers in February 1975

2. Consequently, the process, pattern, strategy and policy of industrialization have to be decided upon independently by each developing country according to its development objectives. Guidelines of a general nature, such as giving preference to labour intensive technologies, putting emphasis on small and medium-scale industries, removing of protective tariffs, diversification or specialization, etc. should always be subordinated to a country's basic options. These options should also be used to derive the criteria which will govern the external relations each country may wish to establish in connexion with its industrialization process, the extent and type of its links with the world market, use of bilateral and multilateral aid programmes, co-operation with foreign governments and enterprises, participation in a system of consultations, conditions for acquisition of technology, etc.
3. Even when strongly motivated towards self-reliance, most countries cannot envisage developing their industries in isolation. The world context should therefore be considered. At present the developing countries, which account for nearly 70 % of the world's population, produce less than 7 % of the world's industrial output; this proportion has remained practically unchanged for many years. This situation is inequitable, and detrimental to the developing countries; it is also irrational, and detrimental to the international community as a whole, since it constitutes a gross under-utilization of the world's natural and human resources. This must be changed. To that end, the Lima Conference set the target for the share of the developing countries in world industrial output at 25 % to be reached by the year 2000.
4. The unrestricted play of market forces is not the appropriate way to achieve a change of the required magnitude in the structure of world industry. Traditional instruments such as trade liberalization and transfers of financial resources may play an important role, but they will not be sufficient. Direct concerted action to redeploy certain existing industries and create new

industrial facilities is needed from developing and developed countries alike. The aim of such action should be to create new economic relations between countries, based on the principles of interdependence and true mutual interest.

5. In order to monitor and facilitate the establishment of the new economic structure (or, in other words, the new international division of labour) as expressed by the Lima targets, a system of continuous consultations should be established at the global, regional and sectorial levels. The aim of this system will be to lead all concerned to adopt appropriate policy measures and make appropriate decisions on projects and programmes, individually and collectively.
6. In order to supplement the traditional instruments of trade and aid, new forms of industrial co-operation should be worked out between developed and developing countries and between developing countries themselves. Industrial co-operation should take place at both the macro-economic level (through agreements between countries or groups of countries) and the micro-economic level (through agreements between enterprises, private or public).

* * * * *

The foregoing, then, is a brief resumé of the main elements of the trend of thought which has emerged from the Lima Conference concerning the implementation in the field of industry of the principles of the new international economic order.

Of course, industrialization will be carried out in fact by combining in a coordinated manner a number of factors - raw materials, equipment, technology and know-how, trained manpower, managerial capabilities, infrastructures, finance and so forth - which will partly be built up in the industrializing country, and partly obtained from

outside. The Lima Conference has made proposals concerning all those factors, building on the experience accumulated in these matters in the course of the industrial development that has already taken place.

An exhaustive document on industrialization should therefore examine all those points and propose appropriate measures. The present paper confines itself to the institutional aspects to which the Lima Conference has contributed some innovative approaches. It first addresses itself to the restructuring of world industry and proposes methods and mechanisms whose purpose is to stimulate concerted action to that end. It then elaborates on the concept of industrial co-operation as an instrument for organizing mutually profitable joint action between developing and developed countries, at government and enterprise level.

II. RESTRUCTURING WORLD INDUSTRY

While recognizing that industrialization is a major instrument for the achievement of the development objectives of the developing countries, the Lima Conference agreed that it would best be promoted within the framework of a radically changed structure of world industry. The Conference indicated the order of magnitude of the changes in the world pattern required when setting a target of 25 % for the share of the developing countries in world industrial output by the year 2000 compared with the present 7 %.

The nature of this figure of 25 % should be well understood. It is not the result of a forecasting exercise or the application of a world econometric model, although preliminary studies have shown that the target is ambitious but feasible^{8/} if the necessary policy measures are taken. As a representative of the Group of 77 put it during a committee meeting at Lima "the target approach is not an intellectual exercise in econometrics, but a political exercise in the redistribution of incomes at the global level"^{9/}. The target quantifies the order of magnitude of the changes which are aimed at. Its formulation in terms of share rather than in terms of growth rates (as in the International Development Strategy for the 1970's), means that not only the level of industrialization to be reached by the developing countries is important but also their relative weight in production and decision-making at the world level. Expressing as it does the decision to take a step forward towards a more equitable and more rational world pattern the target implies acceptance of the aspiration of the developing countries for collective self-reliance and of a change in the nature of the economic relations between countries.

^{8/} See in particular document ID/B/C.3/27.

^{9/} See Report of the Lima Conference, document ID/CONF.3/31, para.189.

Setting up a quantitative target does not have a magic value in itself. It provides a frame of reference for the various activities which should be undertaken in a concerted manner by all concerned. It is a starting point for further studies and actions.

As has been said before, the structural changes implied by the Lima target will not be achieved by merely relying on the play of market forces. Nor will they be the result of building an econometric model which, through the application of certain theoretical principles (such as the theory of comparative advantage), would design a mathematical world optimum. On the contrary, the way towards the implementation of Lima should lie in the direct application of the principles of interdependence and mutual benefit, and the definition of an agreement on second-best scenarios incorporating the actual industrial objectives, strategies, programmes, plan and projects of the various countries.

For developing countries the starting point will be industrial plans existing or in the making which will have to be extended to horizons 1980, 1990 and 2000 on the basis of the perspectives opened by Lima. For developed countries, projection exercises will be undertaken taking into account the opinions expressed in many quarters that developed countries might have in the long run an interest in a redistribution of industrial production towards developing countries for a variety of reasons : possibly of curbing inflation by imports of cheaper goods, problems created by migrant labour, lack of space and water, cost of transporting raw materials, etc.^{10/}

The reconciliation of objectives and strategies and the definition of mutually acceptable perspectives should be sought through a continuous process of successive approximations linking step-by-step studies and consultations. The aim is to reach at each stage an agreement on the objectives to be pursued and to stimulate concerted action; in other words, to lead all those concerned to take actual decisions

^{10/} See in particular document ID/B/C.3/27, para. 14 and 51.

See also document ID/132 : "International Industrial Co-operation" Report of Expert Group Meeting organized by UNIDO in co-operation with the Maison des Sciences de l'Homme, June 1974.

See Jacques FERRY : "Vers une nouvelle géographie mondiale de l'Acier", Le Monde Diplomatique, March 1975, No. 252.

and to take policy measures collectively or individually in order to achieve the objectives.

The process which is proposed requires various elements : target setting, a definition of policies, and the establishment of a system of consultations. For the sake of an easier presentation they will be described successively, but it should be remembered that they are interdependent instruments which should be used in an integrated manner.

1. Target setting

The only quantitative target adopted explicitly at Lima refers to the structure of industrial world output for the year 2000. In order to make the target an operative instrument, a path should be defined for its completion. An obvious first step is to set up targets for intermediate years - 19980 and 1990, for instance - as steps towards the 25 % in 2000. A comparison of the 1980 target so defined with the probable situation in 1980 as it might be forecast assuming no change of policies will show from the outset the magnitude of the corrections to be made; appropriate action might then be suggested.

A similar exercise could be done at the regional level in relation with the targets established by the regional Conferences of Ministers of Industry preparatory to Lima : 2 % for Africa; 10 % for Asia; 13 % for Latin America. At that level too, comparisons with forecasts will be illuminating.

An example that might be mentioned is the first and rudimentary specification of the 2 % target for Africa submitted by the UNIDO Secretariat to the last Conference of African Ministers of Industry (Nairobi, December 1975)^{11/}. Similar studies are envisaged in co-operation with the Regional Economic Commissions.

A breakdown of the targets by sectors, for the world and by regions, can be made in various ways. For instance, the magnitude of the contribution which different types of industries would make to the restructuring could be considered. The industries might be classified as :

^{11/} See document CMI.3/INR/TP/3 : "Africa two per cent : Implications of the Industrial Development Target for the Year 2000".

- Industries serving the developing countries' own markets, particularly for the satisfaction of the basic needs of the masses;
- Industries which could be made viable by greater specialization and by increased co-operation between developing countries, and within and between regions;
- Industries in which the developing countries could supply an increased share of the world market, in particular by local processing of raw materials produced in the developing countries themselves^{12/}.

As a first step, attention could be concentrated on industrial sectors where, for various reasons, the process of restructuring could be worked out more effectively. The UNIDO Secretariat is suggesting iron and steel, chemical industries and agro-based industries.

At all levels (global, regional and sectoral) targets would be set up for the following^{13/}:

- Supply and demand, both internal (taking into account economic and social objectives) and external. The targets for external supply and demand would imply study of trade flows (import and export) between the different regions and would consequently require a contribution from UNCTAD;
- Inputs and production factors which are necessary for the planned production: raw materials and energy, equipment, manpower (including training requirements), infrastructure, know-how and technology, finance and the like

^{12/} See ID/B/C.3/27, Chapter II, in particular para. 33 to 35, and A/RES/3202(S-VI), para. III(c).

^{13/} See the Lima Plan of Action, para. 61(d).

2. Policy Implications

The Lima Declaration and Plan of Action has indicated very broadly sets of policies which should be adopted by developing and developed countries in order to achieve the industrialization objectives. Some of those policy measures relate to other fields such as trade policies (reduction of tariff and non-tariff barriers, improved access to markets, generalized system of preferences, multilateral trade negotiations, etc.); financial policies (amount and conditions of transfer of resources, rescheduling of debt servicing, measures relating to international monetary reform, etc.); transfer of technology; and relations with transnational corporations. They are discussed under other items of the agenda of the Conference; this paper will not go into them explicitly, although they would have to be carefully studied at each stage of the implementation of Lima.

The Lima Conference agreed on a number of recommendations to developing countries and developed countries concerning policies which might directly be described as industrial policies. The recommendations to the developing countries included the formulation of long-term industrialization plans and strategies (taking into account the links between industry and other sectors), equitable distribution of the benefits of industrialization, intensive use of national resources, role of the public sector, increase of industrial co-operation among developing countries^{14/}, etc.

As to the developed countries, the debate during the preparations for Lima and at the Conference itself developed an awareness that their contribution to industrial development should not be confined to suitable policies for trade, financial transfers and technical assistance. They should also "orientate their domestic policies along a line more in conformity with the interests of the developing countries"^{15/}.

^{14/} See document PI/38, Lima Declaration and Plan of Action, para.58. See also document E/5478 "Report of the 10th Session of the Committee for Development Planning", para. 60 to 91.

^{15/} Statement by Mr. Jean DENIAU, then Member of the Commission of the European Economic Community, DAC, OECD, 1972.

The Declaration and Plan of Action mentions structural adjustments in the industrial sector of the developed countries to facilitate industrial redeployment in favour of developing countries; agreement with the developing countries about future location in the developing countries of raw material processing industries; encouragement to their industrial enterprises to engage in new forms of participation in industrial projects within the framework of development plans and programmes in the developing countries, etc.^{16/}

Studies prepared in connexion with Lima show that in many cases the industrial policies of developed countries are far from suitable^{17/}. Studies prepared by the OECD Development Center on the adjustment policies of various developed countries may raise questions about the actual effect of such policies. Rather than facilitating the phasing out and further reconversion of industries which, for various reasons, could be rationally redeployed, they sometimes have the opposite effect of maintaining such industries when they are no longer efficient. It might be useful to examine more recent programmes to stimulate adequate adjustment, such as the one launched by the Government of the Netherlands.

In any case, at the present stage, suitable industrial policies could be defined only in broad terms. In the course of implementation they would have to be worked out precisely, in direct relation to the establishment of more detailed and shorter-term targets.

3. System of continuous consultations

The Lima Declaration and Plan of Action endorsed by the General Assembly at its 7th Special Session states that UNIDO should include among its activities a system of continuous

^{16/} See document PI/38, Lima Declaration and Plan of Action, para.59 (c), (d) and (e).

^{17/} See document ID/CONF.3/B.4 prepared by Prof. J. de Bandt "Politiques industrielles et objectifs d'industrialisation". See also document E/AC.54/L.63 "International Co-operation for Industrialization : Towards a New International Division of Labour", para. 56 and 57.

consultations at the global, interregional, regional and sectoral levels^{18/}.

Discussions on this matter will take place during the 10th Session of the Industrial Development Board of UNIDO (20 to 30 April 1976) on the basis of proposals presented by the Secretariat^{19/}. Without anticipating the conclusions of those discussions, some indications may be advanced of the general characteristics of the system of consultations to be established :

- The aim of the consultations is to bring about directly the restructuring of world industry set as an objective in Lima; they are accompanied by studies made to set targets and to draw policy implications;
- The consultations are continuous and are elements of a system; this means that all specific consultations are part of a common framework. They recognize as common objective the achievement of the overall targets; they should be based on common assumptions about the broad economic dimensions (GDP, population, etc.); they should use definitions, nomenclatures, time horizons, etc. which would make it possible to aggregate their results; they should be organized in such a way that they benefit from the results of each other, the output of one consultation being fed in as the input of another one;
- The system of consultations to be established by UNIDO should incorporate the results and findings of a number of other bodies, e.g. at the global level, in the various committees of UNCTAD; at the regional level, in the committees or Conferences of Ministers meeting under the auspices of the Regional Economic Commissions, or when specific groups of countries undertake joint activities, for instance, in the implementation of the Lomé Agreement or in the dialogue to be established between countries around the Mediterranean;

^{18/} See document PI/38, Lima Plan of Action and Declaration, para. 26. See also document ID/B/C.3/27, para. 40 to 39.

^{19/} See document ID/B/162 "The Establishment of a System of Consultations in the Field of Industry".

- The aim of consultations is to lead those concerned to take concerted action, i.e. to stimulate a continuous process of decision-making. A monitoring instrument, that should be part of the system, should ensure that decisions taken by independent policy makers are consistent with the achievement of mutually agreed goals;
- The participants in each type of consultations should be determined according to the aims indicated above. Their competence should be such that they can discuss meaningfully their country's industrial objectives, strategy and policy and lead their governments to take appropriate decisions. In addition to the committees composed of high government officials, there could be advisory groups that would include industrial operators.

At the global level, UNIDO is contemplating the establishment of a permanent commission on industrial consultations to elaborate on the overall target and policies, and to provide guidelines for and co-ordinate the efforts of the whole system.

At the regional level, appropriate bodies have already been established by the REgional Conferences of Ministers of Industry. In some cases, they have been explicitly appointed as the regional component of the system of consultations decided on by the Lima Conference. The tasks of these bodies should be : to elaborate on the regional targets and their policy implications; to foster intra-regional industrial co-operation; to define views and positions to be adopted by the regions in the global consultations; if so decided, to appoint the representatives of the regions at the global consultations. In addition to the bodies established by the Regional Commissions, other regional groupings, such as the SELA in Latin America, are to be associated with the system.

At the inter-regional level, it is envisaged that opportunities will be provided for consultations between developing countries from different regions on matters relating to their industrial development and co-operation, and for discussions between groups of developing countries and certain developed countries concerning possible agreements on industrial co-operation and new opportunities for industries to complement each other to a greater extent in selected industrial sectors.

At the sectoral level, the establishment of permanent industrial sectoral committees is envisaged in those sectors whose importance was particularly stressed by the Lima Conference and which could make a major contribution to the restructuring of world industry. As a first step, the UNIDO Secretariat is suggesting the establishment in the near future of industrial sectoral committees for iron and steel, chemical industries and agro-based industries. In the case of iron and steel, a technical working group met in November 1975 and made suggestions for further action.

III. INDUSTRIAL CO-OPERATION

The system of consultations to be established will provide the framework for and induce the policy decisions which will facilitate "the redeployment of certain productive capacities existing in developed countries and the creation and operation of new industrial facilities in developing countries"^{20/}.

The traditional instruments of trade, aid and financial transfers will not be sufficient to lead in practice to a structural change of the required magnitude. Nor is it likely that the uncontrolled operations of transnational corporations will create industries at the level and in the conditions corresponding to the objectives of the developing countries.

In order to associate outside partners with the thousands of new industrial projects which should be carried out in a way satisfactory to all, new mechanisms should be conceived and put into practice. To use an expression which has become increasingly popular in the last few years, these mechanisms may be called "industrial co-operation".

The expression was first used in the context of relations between Eastern and Western Europe; industrial co-operation agreements have become an important phenomenon in that context, as is shown by studies made by the Economic Commission for Europe^{21/}.

The application of similar concepts to co-operation between developing and developed countries was first tried in a few cases in everyday practice, sometimes with the assistance of international organizations. Promotional programmes of UNIDO such as investment promotion and international subcontracting were used to experiment with and stimulate this type of co-operation^{22/}.

^{20/} See document PI/38 "Lima Declaration and Plan of Action", para.61(d).

^{21/} See document E/ECE/844 "Report on Industrial Co-operation".

^{22/} See document ID/WG.136/20 "Record" of the Meeting on Transfer of Technology to Developing Countries through Subcontracting and Licensing Agreements with Special Reference to the Automotive Industry, Paris, November 1972.

See also document ID/WG.136/3 "basic document" prepared by the UNIDO Secretariat.

Document ID/B/123/Add.7 "Report on the Evaluation of Selected Activities of UNIDO: UNIDO Investment Promotion Programme", March 1973.

The Committee for Development Planning elaborated on that concept in its report on industrialization^{23/}. The expression acquired "droit de cité" in international diplomatic language with the conclusion of the Lomé Convention. The Convention contains a special chapter on industrial co-operation, which includes provisions for the various inputs to the industrialization process and establishes an institutional set-up for the implementation of industrial co-operation^{24/}.

More recently, industrial co-operation has been further studied by various bodies. UNCTAD held a Seminar of experts on industrial specialization through various forms of multilateral co-operation. Suggestions related to industrial co-operation were made in a report by a Commonwealth Experts Group^{25/}.

1. General features of industrial co-operation agreements

The concept of industrial co-operation is still in the evolutionary stage. It covers a great variety of agreements which, for the sake of clarification, may be described as follows:

- They are medium-term or preferably long-term;
- They go beyond simple trade operations (sale or purchase of goods or services) and financial transfers (loans, grants, direct investment, etc.);
- They involve on both sides independent industrial partners interested in finding through their co-operation complementary interests. The interests become complementary through a variety of operations related to production and marketing, and to the various inputs or production factors needed for the industrial process (raw materials, equipment, technology and know-how, training, financing, etc.). Where the different inputs (raw materials, manpower, technology, finance) come from a variety of origins they may bring together more than two partners, as, for instance, in the case of tripartite agreements including oil producing countries or tripartite agreements East-West-South.

^{23/} See document E/5478, para.10 to 123.

^{24/} "La coopération industrielle dans la Convention de Lomé," Le Courrier Communauté Européenne-Afrique-Caribbes-Pacifique, No.33, Septembre-Octobre 1975, p.42.

^{25/} "Towards a new international economic order" Commonwealth Secretariat, London, 1975.

- They apply particularly in cases in which the mutual benefit of the partners cannot easily be identified and worked out solely through the operation of market mechanisms, either because the partners belong to different economic systems, or because they are markedly unequal in their relative stages of development and relative strength;
- When there is industrial co-operation between developed and developing countries its aim is to create a new type of economic relationship based on interdependence, mutual benefit and respect for the main development objectives adopted independently by the developing countries concerned. The co-operation is dynamic and provides for a built-in evolution of the agreements in step with the progress made over time by the weaker partner.

One important issue in elaborating instruments and mechanisms for industrial co-operation is the definition of the roles of governments and industrial enterprises. A great many different views have been expressed in that respect. Some developing countries believe that the governments of developed countries should be made fully responsible for all operations of their nationals in developing countries. Some developed countries claim that governments should in no way interfere and that industrial co-operation should be governed only by existing commercial and business laws. Clarifying this issue might be an important contribution to be made by the present Conference. A starting point for a discussion on this subject might be to recognize that the present legal and administrative system has been conceived to govern relations between partners of equal strength operation in similar technical, economic, social and cultural environments. It may have to be reconsidered when relations are to be established between partners who are very different in strength, as is the case with agreements between developed and developing countries. It may also be borne in mind that one way of creating less unequal conditions and therefore developing more fruitful co-operation is to compensate the relative weakness of the developing partner with the protection and support given by the governments involved^{26/}.

^{26/} See document ID/WG.136/20, Conclusions of the Meeting on Transfer of Technology to Developing Countries through Subcontracting and Licensing Agreements with Special Reference to the Automotive Industry, Paris, November 1972, paras. 1.5; 1.6; 1.7; 5.1.

As a general observation, it may also be noted that in many of those cases which are actually found to be beneficial for both partners, industrial co-operation works through a combination of agreements at the macro-economic level between the governments concerned and agreements at the micro-level between industrial enterprises, the former serving as an overall framework and stimulus for the latter. This has generally been the case for industrial co-operation between EEC countries. Some cases of successful co-operation between developing countries and industrialized countries from the East and West have also been reported^{27/}.

2. Bilateral industrial co-operation at the governmental level

Industrial co-operation agreements have been concluded between the countries of Eastern and Western Europe concurrently with long-term inter-governmental trade agreements, credit and payment agreements and scientific and technical co-operation agreements. They cover patents, standardization, training and advisory services, building up research facilities, programmes of technological and industrial information, etc. In some cases, their aim is to foster directly co-production and specialization arrangements. Sometimes they relate to the industry as a whole and sometimes to particular industrial sectors^{28/}.

More recently, industrial co-operation agreements have been concluded at government level between developing countries and industrialized countries from the East or from the West either separately or as parts of agreements that also include scientific and technical co-operation. They define in some cases fields for specialization that facilitates long-term industrial planning in developing countries. In addition to agreements concluded on a country to country basis, agreements have been concluded by regional groupings: examples of these are EEC agreements with India, Mexico, Algeria, and Morocco, and CMEA agreements with Iraq and Mexico.

^{27/} See for instance: Ministère Français des postes et télécommunications "Une nouvelle stratégie industrielle internationale dans les télécommunications," Note, Mai 1973.

^{28/} See document E/ECE/344 "Industrial Co-operation".
See document E/5473 "Report of the 10th Session of the Committee for Development Planning," para. 115.
See document E/AC.54/L.63 prepared by the UNIDO Secretariat for the 10th Session of COP, para. 55 to 59.

3. Industrial co-operation at the enterprise level

While the importance of government action for creating a framework favourable to industrial co-operation must not be minimized, it may be stressed that the development of industrial co-operation at the level of public or private enterprises is the key factor of real progress towards specialization and complementary operations in industry leading to sizeable restructuring. Co-operation at this level will be the way through which agreements on programmes and policies will give birth to specific industrial projects. Such agreements, which go further than the "turn-key" or "product in hand" contract, link investment with assistance and trade elements. They may take a variety of forms which may be summarized as follows^{29/}:

(a) International subcontracting

At certain stages of industrial development, appropriate subcontracting arrangements could be a means for developing countries to improve their industrial infrastructure and to obtain access to the international market. They could be looked for in particular in industries where there is a clear shortage on the world market or where the domestic market of a developing country is able to absorb possible fluctuations in demand.

However, subcontracting should not be considered as an end in itself, since there is a danger that it might keep enterprises in developing countries dependent on the more developed partner. Subcontracting could be useful as a step towards more profitable types of co-operation. In any case, subcontracting arrangements should include clauses for technical assistance, supply of necessary tooling, equipment stocks and finance. They should be of adequate duration and should leave the partner from the developing country free to use the know-how acquired. International subcontracting agreements between developing and developed countries will be

^{29/} For more details see document ID/WG.136/3 "Basic Document" prepared by UNIDO Secretariat for the Meeting on Transfer of Technology to Developing Countries through Subcontracting and Licensing Agreements with Special Reference to the Automotive Industry, Paris, November 1972.

See also document ID/WG.136/20 "Conclusions" of the same meeting, Paris, 1972, pages 31 to 38.

greatly enhanced by the establishment of an appropriate system of information and assistance at the country and international levels.

(b) Licensing agreements^{30/}

Licensing agreements could be profitable to the developing countries as a way to acquire foreign technology and know-how, but the terms of acquisition should be carefully examined: prices, length of contracts, limitations of exports, purchases of raw materials and intermediate goods from the licensor are of special interest. Licensing contracts with the developing countries should not include clauses which are generally considered to be restrictive in the advanced countries themselves or which run counter to legislation in the developing countries concerned. Giving the licensee better information will enable him to create competition between several potential licensors and thereby improve his access to new technology.

Licensing agreements that include payment in kind by delivery of products or components related to the licence would be of special interest. They can be combined with subcontracting of other parts and components of mutual interest for the partners.

The role of governments of the developing countries is extremely important in the formulation and adoption of appropriate policies for controlling and regulating the process of selecting and acquiring foreign technological know-how and in the framing of laws and administrative procedures concerning licences and industrial property legislation, having regard to international harmonization in this field.

(c) Joint ventures

Joint ventures involve in various ways the sharing of responsibilities in management, the sharing of capital, and the sharing

^{30/} See document ID/WG.136/20 "Conclusions", Meeting on Transfer of Technology to Developing Countries through Subcontracting and Licensing Agreements with Special Reference to the Automotive Industry, Paris, November 1972.

of profits and risks. They involve to various degrees marketing, production and research and development. In some cases, joint ventures reserve the ownership to one party while management, profits and risks may still be shared.

In many cases, the governments of developing countries prefer joint ventures to direct investment operations by partners, because they feel that they can then ensure that the operations of the enterprise will be in conformity with the main development objectives of the country.

The proportion in the holding of capital, which has been a main issue in the past, seems to have been creating less problems in recent years. Many firms from developed countries do not object to the policy of developing countries of having the majority interest held by nations (public or private); some of these firms even refuse to hold a majority interest in joint ventures.

(d) Co-production and specialization

Co-production and specialization are a more advanced form of co-operation involving a more complex relationship between partners. They are not limited to joint venture agreements but include exchanges of industrial goods in all directions; they cover not only transfer of technologies but also transfer of production and sharing of markets. They are long-term arrangements and open possibilities for intensifying the co-operation further when the less developed partner has been able to progress to the implementation of the first stages.

They may evolve towards long-term associations between partners that marry various types of flows in a broad manner and involve not only individual industrial projects but also several projects included in overall programmes^{31/}.

(e) Tripartite industrial co-operation

The flexible and complex nature of industrial co-operation allows for the involvement of more than two partners. Reference

^{31/} Such arrangements including food industry projects are currently worked out by the Arab Food Programme, with the first application in Sudan.

has been made to tripartite co-operation in two specific areas: agreements involving enterprises from both developed-market and socialist countries, and agreements involving industrialized countries, oil-exporting countries and other developing countries.

The first type was identified a long time ago. Through its investment promotion activities, UNIDO has been able to contribute to a modest extent to the development of such undertakings, which open up for the developing country the possibility of obtaining in a combined way each of the inputs needed on better conditions^{32/}. In recent years, this type of arrangement has developed significantly. In mid-September 1975, UNCTAD identified more than 400 tripartite industrial co-operation projects to be completed or being carried out^{33/}.

The wording "tripartite co-operation" has also frequently been used to refer to agreements through which financial resources existing in some developing countries (mainly the oil-exporting countries) may be combined with inputs coming from industrialized countries^{34/}. Such agreements may take some of the forms described above, i.e. subcontracting, joint ventures or co-production agreements. Long-established development financing institutions and those recently created to channel financial resources to industrial projects in developing countries have an important role to play.

4. Proposals for action

As indicated, industrial co-operation between developed and developing countries covers operations of a complex nature which are not independent of the whole range of relations existing between the partners.

^{32/} See document ID/B/123/Add.7 "Report on the Evaluation of Selected Activities of UNIDO: UNIDO Investment Promotion Programme", para.73, March 1973.

^{33/} UNCTAD Secretariat, "Tripartite Industrial Co-operation", paper presented at UNCTAD Seminar on industrial specialization through various forms of multilateral co-operation, held in Geneva in November 1975.

^{34/} See document ID/B/C.3/27, para. 60 and 61.
See document PI/33, Lima Declaration and Plan of Action, para. 60(r).

They would consequently be positively or negatively influenced by the measures taken in the fields of trade, financing, and transfer of technology which are up for discussion on other occasions. The proposals presented here are specific proposals which stem from the particular conditions of the partners concerned: unequal strengths and levels of development, differences in the types of objectives pursued in the joint operation, diversity of economic and social systems, cultural and technological environment, etc. Their aim is to give practical expression to the basic principle of mutual benefit in a way which would be durable, dynamic and satisfactory to all. The underlying assumption is that the existing mechanisms do not lead automatically to such a satisfactory situation, but tend to increase disparities and consequently to be detrimental to the weaker partner. Corrective action is therefore needed and this action will have to be determined in each particular case. The following proposals aim at identifying the main fields for action^{35/}.

(a) Industrial information systems

At present the absence of an adequate information system is one of the main obstacles to the promotion of satisfactory inter-enterprise agreements on a larger scale. This is chiefly detrimental to the developing partner, whose access to information sources is actually much more difficult. The problems to be solved include the poor flow of information, the absence of communication between partial information systems which are sealed off at the country or branch level, and the fact that information does not reach the individual enterprises that are potential partners in inter-enterprise agreements.

The needs are most acute in the following fields:

- Information at the macro-economic level on the industrial strategies and policies of the countries concerned, both developing and developed, concerning, where appropriate, the content of development plans, targets at the level of the various industrial branches, the technical channels envisaged, and policies on foreign investment, etc.;
- Technical and economic information at the micro-economic level: knowledge of technological processes, development of relative costs, economies of scale, etc.;

^{35/} See document ID/WG.136/3 "Basic Document" prepared by UNIDO Secretariat for the Meeting on Transfer of Technology to Developing Countries through Subcontracting and Licensing Agreements with Special Reference to the Automotive Industry, Paris, November 1972.

- Information on enterprises that might be interested in a process of co-operation, strategies at the level of the firm, excess capacities, etc.

One major field of action is the strengthening of the institutional capabilities of developing countries by, for instance, the establishment of national industrial information centres as a first step leading progressively to the creation of a more diversified network in countries at a more advanced stage.

At the international level, two types of activity could be of assistance. One is the type of activity illustrated by UNIDO's Industrial Inquiry Service which provides information of a practical nature about equipment, technology, or other matters to inquirers from developing countries. A more comprehensive type of institution will be the industrial technological information bank which UNIDO has been assigned the job of establishing by the General Assembly^{36/}.

(b) Information on existing industrial co-operation agreements

The progress towards industrial co-operation would certainly be facilitated if all concerned were better informed about existing inter-enterprise agreements, the successes and set-backs already encountered, and the lessons that can be drawn from experience. Such knowledge, accompanied by a critical analysis of the results obtained by using various approaches could guide future negotiators and give them confidence in the possibilities open to them. In particular, the developing countries could, within the spectrum of possibilities which would have thus been made known to them, choose in each specific case the type of agreement best suited to their own conditions and development objectives.

The pioneer work undertaken by the Economic Commission for Europe has certainly contributed to the progress of industrial co-operation in Europe. Similar work of systematic information on and analysis of existing industrial co-operation agreements between developing and developed countries could usefully be undertaken by the international organizations, particularly UNIDO and UNCTAD.

^{36/} See A/RES/3362(S-VII), Section III(1).

(c) Methodology for the evaluation of mutual benefits

Even when there is a genuine will on both sides to work out a mutually beneficial agreement, the precise terms and conditions are not easy to define. It is not enough for the developing country to have a new industrial facility located in its territory and thus contributing to the growth of its industrial output and industrial employment. It would like also to make sure that the project contributes throughout its life (investment and operation) to the achievement of the country's development objectives.

The difficulty arises from the variety of conditions between partners and differences in the objectives pursued by each of them. The political, economic and technical contexts are different. Time horizons are usually different, the developing country considering the operation as a step toward longer-term development and structural changes, and the foreign partner tending to be interested by more immediate returns. The objectives pursued are also different: satisfaction of basic needs, self-reliance, changes in the pattern of production and consumption on the one hand; commercial profitability on the other.

A decisive stage in the process of co-operation is therefore the determination of the precise point at which mutual advantages can emerge between partners who are so different in many respects. This would imply first that a co-operation project is not presented as a package but can be broken down into elements open for discussion. Successful joint operations are less likely to deal across-the-board with broad sectors than to find specific openings in particular products, product components or even elementary phases of the production process. In order to facilitate among particular enterprises the search for real mutual interest and to assist in the practical process of consultation and negotiation, research should be undertaken in the following^{37/}:

- The development of technical economic analysis techniques that would make it possible to cut up the production process into elementary operations, with quantification of the cost of each operation and determination of relative advantages in the two different environments;

^{37/} See in particular document prepared by Bernard Carrère "Le partage industriel".

- The improvement of the knowledge of existing enterprises (industrial profiles, economic and financial analysis, determination of excess capacity and deficiencies in capacity) and knowledge of the technical environments in the various branches and the different countries;
- The working out of practical calculation methods which would help in the equitable sharing of the profits accruing to the joint operation. Location is not the only benefit which the developing country should seek. Proper distribution of the surplus created should also be considered. Real pricing of the various flows involved (inputs, services, capital, technology) should be taken into account. For that purpose utilization of traditional cost/benefit analysis may prove insufficient. It could be supplemented by methods based on the analysis of global productivity (attribution of surplus creation to various factors and distribution among parties).

(d) Legal and administrative framework

The existing legal system, rules, regulations, patents, and business practices were devised in the developed countries to govern relations between partners of similar strength and levels of development. They do not take into account the specific conditions of developing countries; their application tends to perpetuate and even aggravate the present situation of inequality and dependence.

Many developing countries feel that the establishment of new types of economic relations in the context of a new international economic order requires the elaboration of a new legal framework. They complain also about the procedures and institutions for the arbitration of disputes which operate in the existing system.

A new legal and administrative system that takes account of the existing disparities and difference in objectives should be elaborated and new criteria worked out. The possibility of international conventions for licensing, industrial property, patents and trade marks, and a code of conduct for the transfer of technology should be envisaged in that context. Special guarantee systems should be looked into.

One important issues would be the involvement of governments on both sides as parties to the agreements and the guarantees they should give^{38/}.

^{38/} See document ID/WG.136/20, in particular para. 1.6.

Suggestions made in various quarters should be studied. They include: special statutes for co-operating enterprises or the drawing up of specific type of contracts for industrial co-operation between partners, enterprises and governments^{39/}.

(e) Institutional framework for industrial co-operation

Industrial co-operation involves partners coming from two or more countries at different stages of development. The partners should preferably be industrial enterprises on both sides, but contributions are also requested in most cases from the government or development bank of the developing country (which is sometimes the promoter of the project), financing institutions from outside, suppliers of equipment, engineering services, etc. The joining of the activities of these various partners in a co-ordinated manner will be facilitated by an appropriate institutional framework and possibly by an external catalytic element assisting in the promotion of the project. This will be especially true when the potential partners are medium-size enterprises which do not have by themselves all the necessary elements of information and analysis.

The key factor in this respect is the proper institutional framework in the developing country itself. Many different institutions exist in the developing countries: industrial development bureaux, authorities, boards, etc. Some of them act only as promoters and partners for the foreign companies, while others also act as holding companies. The public or private industrial financing institutions of developing countries would also have to play an important role. Experience of such institutions has differed greatly from country to country and this makes it difficult to evaluate it in a few words. It may be said, however, that in some countries the institutions have reached a high degree of efficiency and professional skill. Assistance to these institutions should remain an important field for multilateral and bilateral programmes. This assistance might be more selective and diversified when these institutions move from the more traditional type of operations such as direct investment towards more complex industrial co-operation agreements.

^{39/} See for instance: Jean-Paul Gardinier "La Nouvelle Co-operation Industrielle".

Special mention may be made of institutions existing or to be created within subregional integration schemes or broader systems of economic co-operation. They should be particularly equipped to build up operations requiring co-operation between partners from several developing countries and one or more outside partners.

Recently, new large-scale operations that include industrial components have been found useful for establishing an ad-hoc institutional framework with a central authority able to negotiate with the various partners. This, for instance, has happened in the case of the food programme in the Sudan for the operation of which an inter-Arab authority has been created.

In developed countries, institutions linked with official aid programmes have traditionally been active in promoting industrial development. They are usually partners themselves, as either lenders or shareholders, although some of them also play an important role in finding and involving industrial partners in the operation. It might be useful, in addition to these activities, to develop at the national level or in specially interested regions institutions which act only as promoters and advisers to industrial enterprises, specially small and medium-size enterprises, which are willing to enter as partners into industrial co-operation agreements but which do not have the information, contacts and experience to do so. Research of partners; information on opportunities, local conditions and technological background; and assistance in making first contacts are services which will greatly facilitate the multiplication of successful operations.

Even where both partners have been properly informed and strengthened by an adequate institutional framework and services, there might also be a useful role for an outside catalytic element. That is the lesson which can be drawn from the experience of UNIDO promotion programmes: investment promotion, subcontracting, product adaptation and co-operation between industrial development financing institutions^{40/}. These programmes assist the developing countries to seek suitable partners for their industrial projects and are intended to strengthen their bargaining power by providing better information, a wider possibility of choice, and

^{40/} See in particular document ID/B/123/Add.7, "Report on the Evaluation of Selected Activities of UNIDO: UNIDO Investment Promotion Programme" by the UNIDO Secretariat.

See also document ID/B/C.3/14/Add.6 "Report on the evaluation of selected activities of UNIDO: UNIDO Programme of Product Adaptation and Development for Export Industries" by the UNIDO Secretariat.

technical assistance. Experience has shown that helping the weaker partner may also in the long run be of the interest of the stronger, since it makes the co-operation perhaps less profitable immediately but more durable, balanced and satisfactory in the long run. Intervention by the outside catalytic element may help the partners to conceive and develop an operation which will lead to real mutual benefit perceived as such by both sides.

The restructuring of world industry decided on at Lima requires increased efforts by the programmes for promoting industrial co-operation existing or to be developed in international organizations with world wide coverage. It is interesting to note that a specific agreement like the Lomé Convention has also found it necessary to establish a Centre for industrial development for the implementation of its chapter on industrial co-operation. It is expected that this Centre will have a promotional role of circulating information, researching partners and creating favourable conditions for contacts and agreements.

The new approach to industrial co-operation which has been defined should facilitate a serious reappraisal of the type of technical assistance provided for industrial development. The present piecemeal approach has been criticized from many sides, particularly with regard to the waste of time and money in prefeasibility and feasibility studies which remain on shelves till they become obsolete without ever leading to any real investment. One improvement would be to link technical assistance more closely with promotional activities at the level of specific industrial projects and to increase the assistance given to institutions. Another improvement would be to concentrate assistance on the partners from developing countries in industrial co-operation agreements, either during the pre-negotiation and negotiation phases or during the implementation. Such assistance, which would help to reduce to some extent the present imbalance between potential partners, would have a multiplier effect because it would make it possible for the developing partner (government or enterprise) to derive a greater advantage from the co-operative project and would consequently make the resulting agreement more durable and mutually satisfactory^{41/}.

^{41/} See document ID/WG.136/20, "Conclusions of Meeting on Transfer of Technology to Developing Countries through Subcontracting and Licensing Agreements with Special Reference to the Automotive Industry", Paris, November 1972, in particular para. 1.5, 5.2, and 5.4.

Special mention may be made of institutions existing or to be created within subregional integration schemes or broader systems of economic co-operation. They should be particularly equipped to build up operations requiring co-operation between partners from several developing countries and one or more outside partners.

Recently, new large-scale operations that include industrial components have been found useful for establishing an ad-hoc institutional framework with a central authority able to negotiate with the various partners. This, for instance, has happened in the case of the food programme in the Sudan for the operation of which an inter-Arab authority has been created.

In developed countries, institutions linked with official aid programmes have traditionally been active in promoting industrial development. They are usually partners themselves, as either lenders or shareholders, although some of them also play an important role in finding and involving industrial partners in the operation. It might be useful, in addition to these activities, to develop at the national level or in specially interested regions institutions which act only as promoters and advisers to industrial enterprises, specially small and medium-size enterprises, which are willing to enter as partners into industrial co-operation agreements but which do not have the information, contacts and experience to do so. Research of partners; information on opportunities, local conditions and technological background; and assistance in making first contacts are services which will greatly facilitate the multiplication of successful operations.

Even where both partners have been properly informed and strengthened by an adequate institutional framework and services, there might also be a useful role for an outside catalytic element. That is the lesson which can be drawn from the experience of UNIDO promotion programmes: investment promotion, subcontracting, product adaptation and co-operation between industrial development financing institutions^{40/}. These programmes assist the developing countries to seek suitable partners for their industrial projects and are intended to strengthen their bargaining power by providing better information, a wider possibility of choice, and

^{40/} See in particular document ID/B/123/Add.7, "Report on the Evaluation of Selected Activities of UNIDO: UNIDO Investment Promotion Programme" by the UNIDO Secretariat.

See also document ID/B/C.3/14/Add.6 "Report on the evaluation of selected activities of UNIDO: UNIDO Programme of Product Adaptation and Development for Export Industries" by the UNIDO Secretariat.

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LIST OF DOCUMENTS

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<u>RAW MATERIALS COMMISSION</u>			
1. <u>CCEI-MP-8/REV.2</u>	Group of 19	2:Problems of Commodity Markets and Trade Expansion. Ways and Means of solving them.	Common Fund for the Financing of Commodity Stocks and other Appropriate Measures.
2. CCEI-MP-9 26 March 1976	- " -	- " -	Promotion of Processing of Raw Materials in Developing Countries.
3. CCEI-MP-10 26 March 1976	- " -	- " -	Compensatory Financing.
4. CCEI-MP-11 26 March 1976	- " -	- " -	Commodity Stocking Arrangements and Other Necessary Measures.
5. CCEI-MP-12 26 March 1976	- " -	- " -	Indexation.
6. CCEI-MP-13 26 March 1976	- " -	- " -	Improvement of the Participation of Development Countries in the Transport, Marketing and Distribution of Raw Materials of Interest to them.
7. CCEI-MP-14 26 March 1976	- " -	- " -	Liberalization and Expansion of Access to the Markets of the Developed Countries.
8. - - - 22 April 1976	Japan		Statement by the Delegation of Japan on the Proposal of the Common Fund.
9. - - - 22 April 1976	USA		Statement by the US Delegation

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10. - - - 23 April 1976	Spain	2:Problems of Commodity Markets and Trade Expansion. Ways and Means of solving them.	Statement regarding item 2 of the Agenda of the Meeting held on 22 April 1976.
11. - - - 26 Avril 1976	CEE		Reponse de la communaute au document des 19 "Indexation(Doc.CCEI-MP-12)".
12. - - - 26 April 1976	Australia		Statement by Australia on Compensatory Financing
13. - - - 26 Avril 1976	CEE		Reponse de la communaute au document du Groupe des 19 "Transformation des Matieres Premieres dans les pays en developpement".

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DEVELOPMENT
COMMISSION

(Observer Statements)

1. - - - 21 April 1976	Permanent Observer of the UNDP		Transfer of Resources: The Role of UNDP.
2. - - - 22 April 1976	UNCTAD		Trade Prospects and Capital Requirements of Developing Countries/1976 - 1980.
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4. - - - 22 April 1976	World Bank		A Review of the Capital Requirements of Developing Countries/1976-1980.
5. - - - 24 April 1976	OECD		Statement by the Representative of the OECD on the Transfer of Resources on 22nd April 1976.
6. - - - 27 April 1976	Inter-American Development Bank		IDB's Role in Increasing the Transfer of Resources to its Member Countries.

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11. - - - 23 April 1976	- " -		Access to Capital Markets.
12. - - - 28 April 1976	- " -		Industrialization.
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13. - - - 28 April 1976	EEC		Industrial Co-operation: Some Features of an International Framework for Industrial Co-operation.
14. - - - 28 April 1976	- " -		Industrial Co-operation: Industrial Restructuring in the Community.
15. - - - 28 April 1976	CEE		Industrial Co-operation General Approach.

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16. - - - 26 April 1976	EEC		Transfer of Technology Statement by the European Economic Community.
17. - - - 23 April 1976	EEC		Private Resources.
18. - - - 23 Avril 1976	CEE		Aide publique au developpement declaration de la communaute europeenne.
19. - - - 22 Avril 1976	-"-		Quelques considérations Générales sur le Thème du transfert des Ressources
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20. - - - 23 April 1976	Swedish Delegation	5.2	Swedish Statement Develop- ment Commission "Transfer of Resources" Agenda Item 5.
21. - - - 24 April 1976	- " -	5.4	Swedish Statement under the Heading "Transfer of Resources" Agenda Item 5.4 "Problem of Foreign Debts of the Developing Countries"
22. - - - 24 April 1976	- " -		Swedish Statement under the Heading "Transfer of Technology".
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23. - - - Avril 1976	Algeria		Industrialisation (Introduction générale)
24. - - - 22 April 1976	Jamaica		Transfer of Resources
25. - - - 23 April 1976	Zaire		World Industrial Restructuration and Re- deployment.
26. - - - 24 April 1976	India		Working Paper on Official Development Assistance Submitted by India on Behalf of the Group of 19.

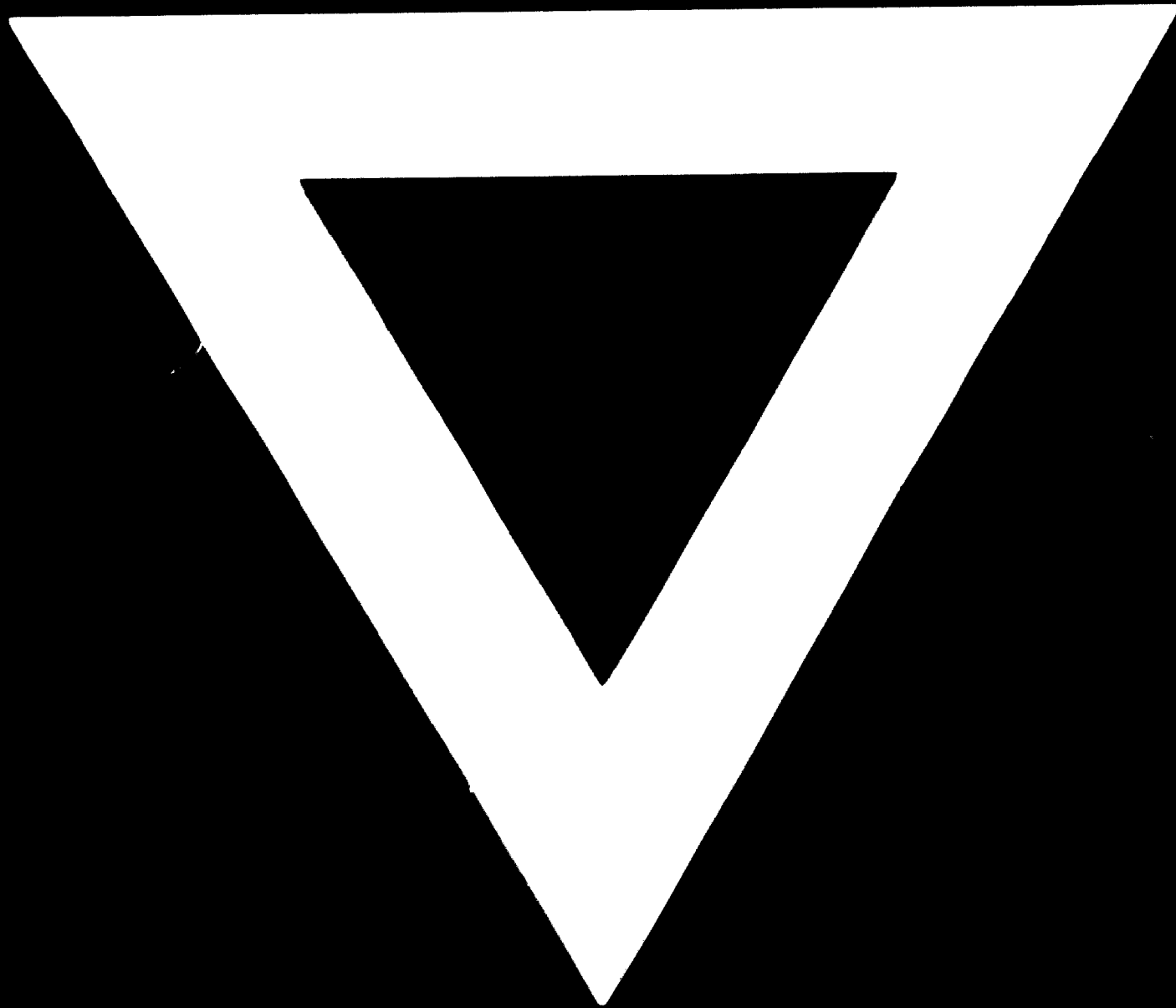
<u>Document No.</u> <u>Date</u>	<u>Presented</u> <u>by</u>	<u>Agenda</u> <u>Item</u>	<u>Title</u>
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27. - - - 26 April 1976	United States		Industrialization and Development.
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29. - - - 22 April 1976	- " -		Transfer of Resources.
30. - - - 22 April 1976	- " -		U.S. Assistance to the MSA's Summary of Remarks by the U.S. Delegation.

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2. J-1 21 April 1976	- " -		Journal of 21 April 1976.
3. J-2 22 April 1976	- " -		Journal of 22 April 1976.
4. J-3 23 April 1976	- " -		Journal of 23 April 1976.
5. J-4 24 April 1976	- " -		Journal of 24 April 1976.
6. J-5 26 April 1976	- " -		Journal of 26 April 1976.
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8. J-7 28 April 1976	- " -		Journal of 28 April 1976.

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