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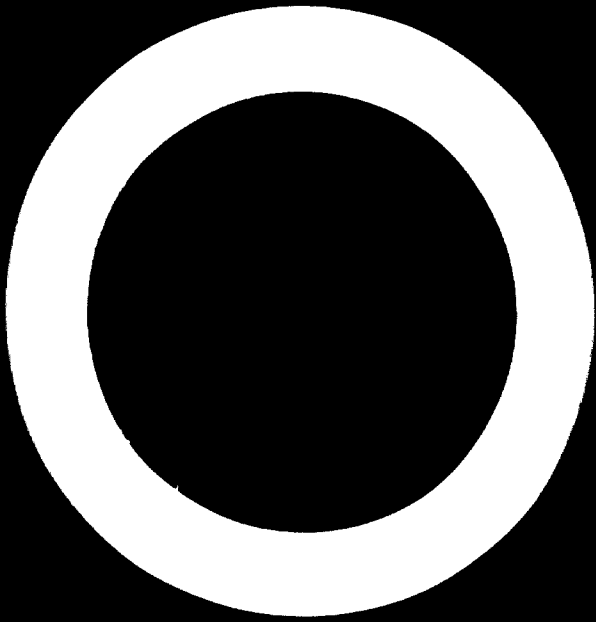
Latin American Conference
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Mexico City, 25-29 November 1974

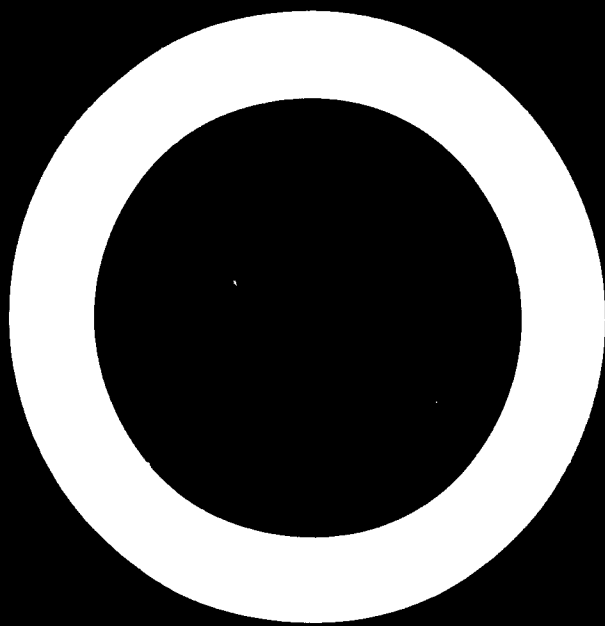
**INDUSTRIALIZATION
IN LATIN AMERICA.**

Principles and plan of action :

DECLARATION*

*Adopted by the Latin American Conference on Industrialization,
Mexico City, 25-29 November 1974





DECLARATION ON INDUSTRIALIZATION IN LATIN AMERICA

Principles and plan of action

The Ministers of Industry and delegates of the Latin American countries, meeting at the Latin American Conference on Industrialization, held in Mexico City from 25 to 29 November 1974,

Considering that without adequate international co-operation the possibilities of economic progress of the developing countries are severely prejudiced, as are those of industrial development also, and that it is therefore essential to establish a new international economic order based on "equity, sovereign equality, interdependence, common interest and co-operation among all States, irrespective of their economic and social systems, which shall correct inequalities and redress existing injustices, make it possible to eliminate the widening gap between the developed and the developing countries and ensure steadily accelerating economic and social development and peace and justice for present and future generations", as proclaimed in the Declaration and Programme of Action adopted at the sixth special session of the United Nations General Assembly,

Recognizing that the developing countries represent 70 per cent of the world's population but receive only about 20 per cent of world income, that the gap between the developed and developing countries has continued to widen owing, *inter alia*, to the persistence of an unjust and inequitable international economic order, and that development is the joint and shared responsibility of the entire international community,

Bearing in mind that any authentic process of industrialization must conform to the broad objectives of self-sustaining and integrated economic and social development and that the internal efforts and economic and social structural changes undertaken as a sovereign right by the developing countries are of great importance in this respect, a further factor of particular importance being the just and effective social participation of their peoples in industry and in the benefits deriving therefrom, so as to achieve the objective of real social justice conducive to standards of living that are in keeping with the rights and dignity of human beings,

Recalling that international economic relations have experienced profound and repeated crises which have drawn attention to the shortcomings and limitations of the traditional systems of production,

Noting with concern the serious disruptions which are affecting the world economic system both in its monetary and financial aspects and in respect of the supply of food, energy, raw materials and capital goods, and which are all the more serious now that there is worldwide awareness of the urgent social needs which exist and expectations have been awakened as a result of the rapid evolution of technology which have shortened the deadlines for the elimination of such problems.

Bearing in mind that, despite the notable progress that has been made in recent decades, Latin America has in many cases continued to display external dependency as regards the export of a few primary products and the activities of the countries at the centre, and there has not been any profound and dynamic impact capable of changing the domestic socio-economic structures and thus establishing the bases for genuine development,

Taking into consideration the fact that some Latin American economies thereby attained a certain degree of growth but failed to achieve the genuine and self-sustaining development that the region requires,

Considering that while many of the obstacles to industrial expansion are of domestic structural origin, there are also numerous obstacles that derive from long-established or new forms of dependency on the developed world,

Bearing in mind the stagnation and even reduction observed in the public international technical and financial assistance provided by the industrialized countries for promoting the development and industrialization of the Latin American region,

Aware that industrial development is one of the fundamental factors in economic and social progress and in the improvement of the level of living of the mass of the people,

Convinced that the establishment of a new international order on more equitable bases, founded on the common interest and co-operation of all States, is unattainable unless the developing countries are given a fair share in the production and trading of goods and services, so as to eliminate the existing unjust and inequitable international division of labour,

Believing that, since not all the countries of the region possess the same capacity for achieving through industrialization the objectives pursued in the establishment of a new international economic order, it is therefore necessary to foster the harmonious and balanced development of the Latin American countries, with the consequent unavoidable necessity to give more favourable treatment to the countries of lower relative economic development in the region,

Viewing with alarm the opposition of certain countries to the approval of the Charter of Economic Rights and Duties of States and considering that it is necessary to adopt juridical instruments to regulate international economic relations,

Encouraged by the Programme of Action adopted at the sixth special session of the United Nations General Assembly regarding the adoption of principles for establishing a new international economic order on the basis of equity, sovereign equality, interdependence and co-operation among States,

DECLARE:

1. Their firm resolve to promote industrial development through concerted measures at the national, subregional, regional, interregional and international levels, aimed at the modernization of the Latin American economies and the elimination of all forms of political, social and economic subjection, wherever they exist;
2. Their adherence to the principles of industrialization laid down in the International Development Strategy for the 1970s and the Programme of Action for the Establishment of a New International Economic Order, which should be complemented with international juridical norms and new instruments for action;
3. That while Latin America's present share in world industrial production is only 3.4 per cent, they are resolved, in the light of the qualitative proposals made in the present Declaration, to raise this share to at least 13.5 per cent by the year 2000;
4. That it is necessary to reaffirm the significance of the process of industrialization as a means of promoting development, maintaining and raising the rate of economic growth, improving the standard of living of the Latin American countries and bringing about their more adequate participation in the international economy;
5. The need for the Latin American Governments to improve their measures for promoting industrialization and mobilizing the region's human and physical resources both at the national level and within the framework of the economic co-operation systems;
6. That every State has the inalienable right to exercise effective control and permanent sovereignty over its natural resources, both terrestrial and marine, and to exploit them by any means suitable to its situation, including nationalization, in accordance with the legislation of each country, and that no State must be subjected to any kind of economic, political or other coercion designed to prevent it from enjoying the full and free exercise of this inalienable right;
7. That the effective control of natural resources and the harmonization by the developing countries, severally and jointly, of their policies for exploiting them are essential prerequisites for their industrial, economic and social progress;
8. That the international community, and especially the developed countries, must mobilize human and material resources to deal with the problems standing in the way of the conservation of non-renewable resources and the environment;

9. That the Governments of the developed countries must perform in full the responsibilities incumbent on them under the International Development Strategy and the Declaration and Programme of Action on the Establishment of a New International Economic Order, facilitate the processes of trade liberalization, make a more decisive contribution to the financing of the developing countries (especially those of relatively lower development), and reach agreement on the codes of conduct and other legal instruments which are indispensable for the equitable control of the new international order;
10. That the unrestricted play of market forces is not the most suitable means of promoting industrialization on a world scale nor of achieving a suitable international division of production, and that the activities of transnational enterprises, when not subject to the control of countries where they operate, often provoke undesirable distortions in the structures of production and trade;
11. That the international financial institutions which include developed countries, when revising their policies, should take into account the special requirements of the developing countries especially the relatively least developed countries and in particular the land-locked or island countries and ensure that these countries are effectively represented on the decision-making bodies of such institutions;
12. Their satisfaction at the efforts of the secretariats of ECLA and UNIDO to carry out various technical assistance programmes and, above all, to prepare an industrial Plan of Action in line with the Declaration on the Establishment of a New International Economic Order adopted by the United Nations General Assembly;
13. That UNDP and UNIDO must take the necessary steps to increase both the volume and the quality of technical assistance for industrialization;
14. That in the field of industry the reorganization of the international economic order requires the adaptation of the machinery and arrangements for international co-operation and that the United Nations, its specialized agencies, and the regional economic commissions constitute the obvious forums for the negotiation by Governments of the agreements and undertakings relating to the establishment of the new order in industry;
15. That the principles and guidelines contained in the present Declaration constitute the Latin American position in the international negotiations which are to be held, especially at the Second General Conference of UNIDO;
16. They therefore propose the following Plan of Action comprising the measures described below:

I. Measures at the national level

The objectives of the proposed national policies for the promotion of industrial activity are based on recognition of the fact that industrialization continues to be one of the fundamental factors in the development processes of the relatively less developed countries.

Real industrial development must take place within the framework of a process based - subject to the special features of each country on the economic and social structural transformations which may be necessary in the agricultural, industrial and service sectors of the developing countries. The objective must be not only to secure an increase in production and productivity, but also to achieve social justice and a reduction of the social costs of production. Industrial development in the developing countries based on this new outlook should lead to an equitable redistribution of the means of achieving the material and spiritual well-being of society, to the improvement or, where appropriate, redefinition of the relationships of production, and to the creation of social models freely determined by each country in the light of its national objectives.

Domestic industrialization policies must therefore take into account the need for an adequate distribution of income, which, *inter alia*, will make possible the rapid expansion of domestic markets, so that industrial growth will also be conducive to the attainment of the objectives of raising the standard of living and eliminating marginality and unemployment.

Moreover, reference must be made to the urgent need that national industrialization policies should take into account action at the international level to permit genuine co-operation between the various nations and to avoid the creation of undesirable competition between the developing countries.

Furthermore, it will in many cases be necessary to raise the level of industrial productivity to meet that of competitors on the world market, and this stimulus should result, in a reasonably short space of time, in better use being made of the productive resources of the countries of the region, and especially of their foreign exchange and capital.

National industrialization policies should stress the objective of increasing the external autonomy of the developing regions and countries, with special attention to the promotion of exports and to the terms on which transfers of capital and technology take place. In the same way, they must also seek to increase the value added to the raw materials being processed and exported.

In the light of the foregoing, it is proposed that national industrialization policies should:

(a) Promote integrated industrialization based on the potential of each country;

(b) Stimulate by various means the intensive use of national resources, both through the promotion of employment policies and through the formulation of schemes which favour the processing of available raw materials;

(c) Enable the benefits of industrialization to reach all sectors of the population;

(d) Ensure that the process of import substitution of industrial products takes place with a greater degree of international-level efficiency, and that, *inter alia*, the various forms of protection granted as an incentive to such activities do not exceed certain limits, so as to guarantee adequate international-level competitiveness;

(e) Include appropriate measures to encourage exports of manufactures;

(f) Make sure that there is a suitable balance in the development of the various sectors of economic activity, emphasis being placed on the need to ensure that the promotion of industrialization does not take place to the detriment of primary sector activities;

(g) Take care that the development of the industrial sector is carried out in a harmonious manner, with suitable links with the international market but without encouraging any forms of dependence;

(h) Strengthen domestic machinery for the appraisal of the International Development Strategy and the Programme of Action for the Establishment of a New International Economic Order and for the general and industrial planning of each country;

(i) Broaden the scope of financial and other machinery designed to protect and stimulate small and medium-sized industry and basic manufactures;

(j) Intensify all levels of programmes for training available human resources;

(k) Stimulate scientific research, technological innovation and industrial standardization within the context of national development plans and programmes.

2. Measures at the regional level

As regards the measures to be taken in Latin America, the following objectives should be taken into account:

Harmonization and co-ordination of economic policies, especially in the industrial field, and the fullest utilization of the possibilities for industrial complementation, with due attention to economies of scale and specialization.

Such complementation should be based primarily on the possibilities and needs of each country, so as to bring about more harmonious, balanced and rapid industrial development in the region as a whole.

Strengthening of existing economic integration schemes and establishment of links conducive to their gradual harmonization, together with a search for new forms of integration, with a view to steady progress towards a Latin American Common Market.

Adoption of new measures and strengthening of existing arrangements to assist the least developed countries of the region.

The attainment of the aforementioned objectives calls for the adoption of the following measures:

(a) Harmonization and co-ordination of policies and action in respect of industrial development and investment, foreign investments, transfer of technology, scientific and technological co-operation, defence of export prices and products, and financing;

(b) Strengthening and creation of industrial complementation mechanisms such as Latin American multinational enterprises; sectoral, multisectoral and other forms of complementation agreements; regional import substitution schemes in respect of products coming from outside the area, bearing in mind that the relatively less developed countries of Latin America should enjoy an adequate proportion of the benefits deriving from such programmes; basic food production programmes, and arrangements for the supply of energy sources and other scarce raw materials. These mechanisms must receive priority attention within the context of present and future regional and subregional economic integration processes;

(c) Execution of complementation programmes, subject to prior agreement among the countries concerned, to take full advantage of the productive resources of border areas:

(Both the regional organizations especially the Economic Commission for Latin America and other organizations of the United Nations system should undertake research in collaboration with the Governments of the region with a view to the detailed study and definition of the measures referred to in paragraphs (a), (b) and (c) above.)

(d) Strengthening of machinery for the provision of financial support both for trade and for the various industrial co-operation instruments of Latin America. Such financial machinery should take into account the need to establish Latin American multinational enterprises in the basic sectors of industry and exports as soon as possible;

(e) Establishments of differential treatment favouring the relatively less developed countries of the region in all decisions taken in the industrial field within the various regional and subregional economic integration schemes. In addition, the industrially more advanced countries of the region should make every effort to place resources and experience at the service of the relatively less developed countries in such aspects as the following:

- (i) Technical assistance in project preparation;
- (ii) Transfers of know-how;
- (iii) Joint research programmes on industrial matters of common interest;
- (iv) Establishment of joint enterprises by developing countries for the exploitation of resources suitable for industrial processing and the transport of manufactured products;

- (v) Financing of industrial projects in relatively less developed countries;
- (vi) Granting of special facilities for the importation of manufactured products originating in relatively less developed countries.

3. Measures to be taken among the developing countries

The basic objective of co-operation among the developing countries is to establish closer links in order to foster concerted concrete action in the main sectors of economic activity.

In order to achieve this fundamental objective, it is recommended that the following measures be implemented:

- (a) The expansion of trade and the promotion of co-operation in such fields as:
 - (i) Joint investments;
 - (ii) The exchange of experience in the field of science and technology, including experience in negotiations with sources of technology;
 - (iii) The exchange of experience regarding transnational corporations, including experience on negotiations with these; and
 - (iv) Reciprocal financing.

In this connexion, research should be undertaken to determine the possibility of complementation in the sectors referred to above and to study and draw up preferential trade systems, with the support of ECLA, UNCTAD, GATT, UNIDO and the other regional economic commissions, which favour in particular the relatively less developed countries of the region;

(b) The establishment of institutional machinery to facilitate economic co-operation through periodic consultation, particularly in the field of industry;

(c) The fostering of joint action to defend fair, remunerative and stable prices for their export products on international markets, including the establishment of producers' organizations to this end.

4. Measures to be taken between the developed and developing countries

The reorganization of international economic relations on the basis of principles of equity and justice requires a new kind of relationship between the developing and developed countries. To this end, the following mechanisms and measures are recommended:

(a) With regard to trade, the tariff and non-tariff barriers and sliding-scale tariffs applied by the industrialized countries which prevent the access of products from developing countries to their markets should be

eliminated. In this connexion, the generalized system of preferences should be applied, expanded and improved by the incorporation of new products and the elimination of non-tariff barriers which prevent full advantage being taken of it. In addition, the developed countries should adhere to the strict principle that the system of preferences applied by them cannot be used as an instrument of political or other pressure on the developing countries. The multilateral trade negotiation in GATT must take account of the interests of the developing countries and be based on principles of non-discriminatory and non-reciprocal preferential treatment;

Furthermore, it must be recognized that it is perfectly legitimate for the developing countries to apply incentives to industrial production for export so as to make such production competitive at the international level:

(b) As regards maritime transport, agreement should be reached that a substantial proportion of the industrial production of the world, and especially of the developing countries, should be carried by ships of the latter countries;

(c) Agreement should also be reached that a substantial proportion of the ships constructed in the world should be built in shipyards of the developing countries;

(d) The developed countries should cease the uneconomic production of goods by promptly adopting industrial reconversion measures to facilitate the access to their markets of competitive industrial products from developing countries;

(e) As regards financial and technological co-operation:

The developed countries should fulfil the commitment undertaken in various international forums to devote at least one per cent of their gross national product to development financing, with 0.7 per cent taking the form of official development assistance.

Credit granted to the developing countries by the international financial organizations and the industrialized countries should be completely free from any type of political or economic ties.

The highly industrialized countries should increase their financial contributions to the international organizations responsible for promoting or financing economic development.

There is an imperative need for the international community, and especially the developed countries, to reduce their expenditure on arms and to set aside a part of the resources thus freed for providing additional financing for the industrial development of the developing countries.

Industrial development financing machinery should be set up in order to play an effective part in providing a broader and stronger base for the industrialization of all the developing countries.

In the reform of the international monetary system, measures should be adopted which take account of the special needs of the developing countries, including measures concerning the use of Special Drawing Rights to finance industrial development in the developing countries and the full participation of all States in that reform.

Technical assistance programmes for the benefit of the developing countries should be expanded.

Technological know-how or advanced technologies, whether patented or not, should be placed at the disposal of the developing countries, either free of charge or on equitable commercial terms, taking into account the specific development requirements of the recipient countries. In this connexion, greater information is indispensable in order to permit a suitable choice from the technologies developed in all the economic and social areas of the world.

An industrial and technological data bank should be set up.

An international code for the transfer of technology should be formulated and approved as soon as possible.

International legislation on patents and trade marks should be revised with a view to making this an authentic means of assistance for the developing countries;

(f) Measures should be adopted by the Governments of the developed countries to prevent investments made by those countries in developing areas (especially investments by transnational enterprises) from posing obstacles to healthy economic development. In this connexion, the approval of the International Code of Conduct for Transnational Enterprises currently being discussed by the United Nations is a matter of great urgency;

(g) Special measures should be adopted for the least developed, land-locked and island countries at both the interregional and regional level, due note being taken that the principal responsibility in this process belongs to the highly industrialized countries.

5. Role of UNIDO

The United Nations Industrial Development Organization should tackle the problem of the industrialization of the developing countries within the framework of a new world-level organic strategy which, without prejudice to its operational character, will enable it to propose to Governments a global industrialization policy agreed both between the developed and developing countries and between the developing countries themselves. To this end, and with the aim of strengthening the Organization and expanding its activities so

that it can play an effective role both in the instrumentation of the new international economic order and in the fulfilment of the purposes and objectives of the present Declaration, the delegates to this Conference reiterate the need to grant UNIDO the autonomy and the financial and technical capacity required to enable it to meet the industrialization requirements of the Third World.

6. Charter of Economic Rights and Duties of States

Emphasis is placed on the urgent need for the Charter of Economic Rights and Duties of States to be approved during the current session of the United Nations General Assembly, since it is an indispensable instrument for the adoption and application of the principles and measures referred to here.

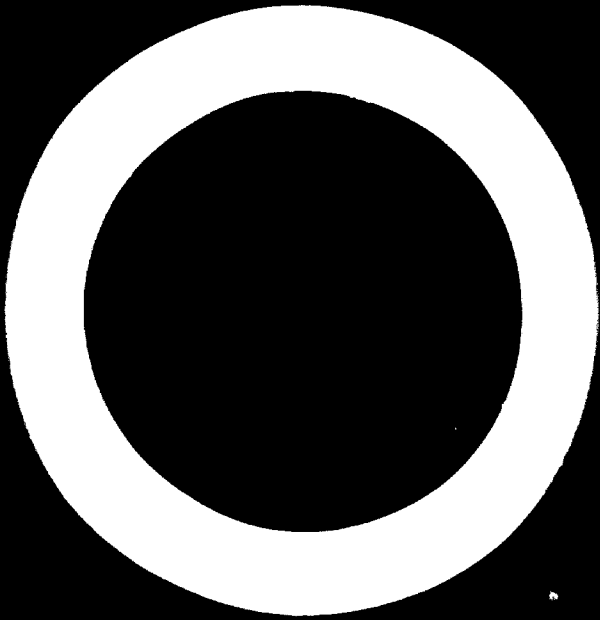
Note

The delegation of Chile, while approving the document in the plenary, requested that the following text be inserted:

"The delegation of Chile wishes to place on record the fact that, although in agreement with the general principles of the Declaration, it would have liked the latter to reflect a greater spirit of self-criticism in the analysis of the causes of Latin American under-development and it would also have liked the Declaration which has been approved to have made some mention of the lack of clear and original development models and indigenous projects of civilization to enable the countries to face up decisively to the efforts at penetration by the various groups of developed countries which are disputing among themselves the economic and ideological hegemony of the world.

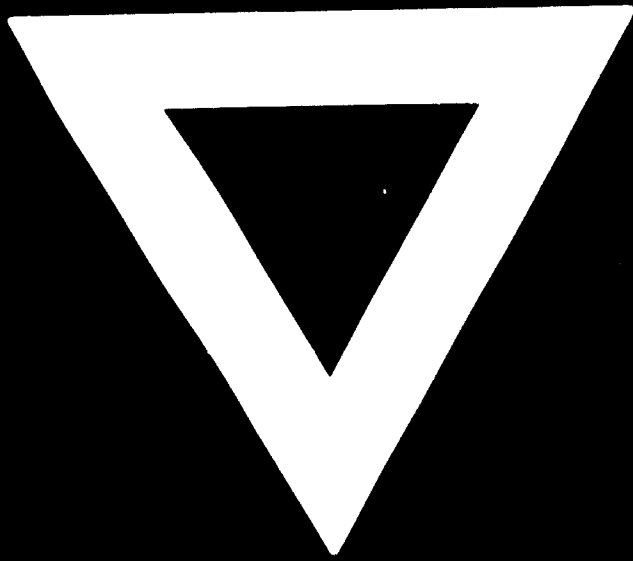
"We also wish to draw attention to the lack of any reference to an aspect which we consider to be basic in industrial development, namely, managerial or entrepreneurial capacity for creating, proposing, organizing and executing new production projects. This capacity is of basic importance, regardless of the political and economic models or systems that the countries apply in the exercise of their sovereign rights. We consider it necessary to give the greatest possible impulse to the training of personnel at this level and to the putting into effect of mechanisms designed to make use of this capacity where it already exists."





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