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REPORT

UNIDO'S PARTICIPATION IN THE MEETING OF
AD HOC GROUP OF MINISTERS OF INDUSTRY, ESCAP,

Bangkok, Thailand

30 - 31 January 1979

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I. INTRODUCTION

a. Background

1. The Ministers of Industry in the ESCAP region decided in the meeting in Bangkok in November 1977 to give a new orientation to the industrial strategies and policies in their countries. Four areas were selected for detailed examination, namely:

- (i) Strengthening of linkages between industry and agriculture;
- (ii) Development of small-scale industries and their linkages with large and basic industries;
- (iii) Dispersal and location of industries away from metropolitan areas; and
- (iv) Orientation of industry to satisfy the basic needs of the poor.

2. The Ministers of Industry Meeting further decided to establish an Ad Hoc Group of Ministers. While the Group would be open-ended, the Meeting recommended that Ministers from the following countries should form its nucleus: Afghanistan, Australia, Bangladesh, India, Iran, Japan, Papua New Guinea and the Philippines. The principal objective of the Group would be to examine surveys made by ESCAP concerning the progress and development in different countries relating to the main elements of the new strategies and policies. The meetings of the Group should also serve as forum for meaningful dialogue. The reports of the Group would be of the nature of observations, and suggestions for policy makers.

3. The third session of the ESCAP Committee on Industry, Housing and Technology, September 1978, in noting that the preparatory work for the first meeting of the Ad Hoc Group of Ministers of Industry was proceeding satisfactorily, expressed to view that the deliberations of the Group would also provide a useful regional input to the preparations of UNIDO III.

b. Date, Venue and Agenda of Meeting

4. The first Meeting of the Ad Hoc Group of Ministers of Industry, was held at the ESCAP Headquarters in Bangkok from 30 to

31 January 1979. The report of the Meeting is attached as Annex I.

5. The substantive items of the agenda were (i) "Consideration of the ESCAP report based on surveys of selected countries" which dealt with new orientation of industrial strategies and policies in above-mentioned four areas, and (ii) "Consideration of other issues" under which item matters concerning the ESCAP 'Club' for assistance to LDCs, workshop on small- and medium-scale industries in China, regional industries, investment and UNIDO III were to be covered, according to the annotated agenda.

.....

6. A list of the documents prepared for the meeting is appended as Annex II. The UNIDO Secretariat contributed with two papers:

- IHT/MI/AG./14 Survey of industrial development in developing Asia and the Pacific: Achievements and prospects
- IHT/MI/AG./4 Third General Conference of UNIDO: Preparations in the ESCAP region

c. UNIDO Delegation

7. The UNIDO representatives from Vienna were Messrs. Aroon K. Basak, Deputy Director, ICPO (Team Leader), and Nils Ramm-Ericson, Senior Industrial Development Officer, RCS, ICIS. The UNIDO outposted staff members to ESCAP Mr. H.G.R. Reddy and U Myint, and Regional Adviser Mr. M.T. Haq also attended.

8. Messrs. Basak and Ramm-Ericson had discussions with Mr. Abid Hussain, Chief, ESCAP/UNIDO Division of Industry, Housing and Technology and some of his staff the day before the meeting, and subsequent to the meeting Mr. Ramm-Ericson had further follow-up discussions.

d. Participants

9. The Meeting was attended by representatives from the eight countries which were to form the nucleus of the Ad Hoc Group, namely Afghanistan, Australia, Bangladesh, India, Iran, Japan, Papua New Guinea and the Philippines, all of them at ministerial level, except Australia, Bangladesh (represented by the Secretary of Industry), Iran and Japan. In addition representatives from 13 other countries participated, whereof at ministerial level Sri Lanka, Thailand and Tuvalu.

10. Besides UNIDO the following UN bodies were represented: UNCTAD, UNDP, UNEP, FAO and ILO.

..... 11. The list of participants is appended as Annex III.

e. Organization of the Meeting

12. The meeting was opened on the morning of 30 January by Mr. J.B.P. Maramis, Executive Secretary of ESCAP. H.E. Mr. Kasame Chatikavanij (Thailand) was elected Chairman, H.E. Ms. Abha Maity (India) Vice-Chairman and H.E. Mr. Vincente Paterno (the Philippines) Rapporteur. Two further sessions (afternoon 30 January and morning 31 January) were held during which the substantive items were dealt with. At the evening of 31 January the final session was held at which the report of the meeting was approved. On both 30 and 31 January 'working lunches' for informal discussions were arranged for the Ministers (or heads of delegations) only. On the Secretariat side, besides Mr. Maramis and Mr. Abid Hussain, Mr. Basak participated.

II. SUMMARY OF DISCUSSIONS

..... 13. An account of the proceedings of the Meeting is well reflected in its report which is appended as Annex I. Further details as to observations made or stands taken by individual countries are given below. Mr. Basak on behalf of UNIDO made a general statement at the end of the first day after the country statements on the first (substantive) agenda item. The text of the UNIDO statement is attached as Annex IV.

a. Reorientation of Industrial Policies and Strategies

14. The Meeting noted that the ESCAP Meeting of Ministers of Industry in November 1977 had, through its recommendations, made a significant contribution to the reorientation of industrial policies and strategies of the developing countries of the ESCAP region, and stressed that the perspective provided by that meeting should be fully reflected in the formulation of the regional strategy for the Third United Nations Development Decade as well as serve as base for the regional input for UNIDO III.

15. A few notes, supplementary to the information given in the report of the Meeting, are provided below in respect of each of the four elements of policies and strategies reorientation.

(i) Linkage between industry and agriculture

16. Among the countries which spoke extensively on this matter were: Bangladesh, the Philippines, Malaysia, Thailand, India and Sri Lanka. Particular attention was given to the agricultural produce inputs to industry. Australia suggested, as an area for further studies, market structures in respect of agricultural products and the industrial requirements; the Philippines called for improved terms-of-trade and stable prices for the farmer vis-à-vis industry.

17. The setting up of national panels to stimulate the strengthening of such linkages, including institutional aspects, and to serve as inputs for national policy making was proposed by Sri Lanka. Sri Lanka and Bangladesh also expressed support for the establishment of agro-industries projects on pilot or demonstration basis. Furthermore, they wanted the further studies should be on experiences or problems in specific agro-industries such as sugar and coconut.

(ii) Small-scale industries and their linkages with large and basic industries

18. Thailand, among others, stressed the importance of linkages between small and large industries and expressed desire to learn of the experiences of other countries in the region, such as India, Republic of Korea and the Philippines. Thailand suggested also in this case the setting up of national panels..

Such panels which may consist of managers of large and basic industries, would concern themselves with the matters of possible linkages with small industries. Afghanistan stressed the role of larger state enterprises in supporting the development of small and medium-scale industries. Papua New Guinea indicated that, although financial resources to start small and medium-scale industries might be available, the countries badly lacked technical expertise and expressed the wish to establish cooperation on this matter with other more advanced developing countries, such as the Philippines and Thailand.

19. In the UNIDO statement, Mr. Basak mentioned that UNIDO had considerable experience in this area and that it might be helpful if our field officers became associated with the countries' efforts in this field.

(iii) Dispersal of industry

20. While the Meeting expressed satisfaction with the progress that had been made by the INA-project (industrialization in non-metropolitan areas) several countries (including Sri Lanka, Thailand, and Japan) stressed the importance of a follow up with a second phase of the project, which would involve the possible carrying out of pilot projects. H.E. Mr. M.I. Danish, Minister of Mines and Industries of Afghanistan stressed the importance of the role of state industries for dispersal of industrial activities.

21. In the UNIDO statement, Mr. Basak indicated that UNIDO would be prepared to consider assistance to one or two specific projects in the context of the INA, in order to contribute to a demonstration effect that might create great impact in that field.

(iv) Industry and basic needs of the poor

22. The Meeting stressed the importance of that the role of industry in satisfying the basic needs of the poor was conceptualized clearly. The most fundamental approach would have to focus on the creation of incomes for the poor through employment. H.E. Mr. V. Paterno, Minister of Industry of the Philippines, among others, stressed also the need for (i) identification of the products which would best meet the needs of each country's population

and (ii) analysis of how industry should produce these products , that is, what pattern of production would best satisfy the needs of the poor.

b. ESCAP 'Club' for Assistance to LDCs

23. Mr. Abid Hussain, Chief, ESCAP/UNIDO Division of Industry, Housing and Technology, in introducing the item, noted that activities had during this first year (1978) had centered on the identification of assistance projects to Afghanistan and Papua New Guinea. In the case of Afghanistan this was done in cooperation with UNIDO "on TCDC-basis under the umbrella of the 'Club'".

24. India expressed endorsement of the ESCAP 'Club' to promote cooperation among developing countries and felt that it would constitute a useful mechanism for self-reliance within the region itself. Once requirements and resources had been matched, the further work towards implementation should be primarily a matter of bilateral negotiations.

25. Thailand expressed interest in cooperating with Papua New Guinea (on a silk industry project) as well as with Afghanistan. Also Bangladesh, India, the Philippines and Sri Lanka specifically expressed their support for the Afghanistan effort.

26. H.E. Mr. Pita Lus, Minister of Commerce and Industry, Papua New Guinea stressed the need of his country for technical and management expertise in initiating and carrying out industrial projects and expressed the hope that this need could be met, to large extent, through the TCDC efforts of the ESCAP 'Club'.

27. H.E. Mr. M.I. Danish, Minister of Mines and Industry, Afghanistan , stated that his country was very honoured to have been selected as the first country to which ECDC/TCDC efforts were directed under the joint aegis of ESCAP and UNIDO, and expressed satisfaction with the progress of the preparations for the Round Table Ministerial Meeting to be held in Kabul in May 1979. He mentioned that, in addition to a list of potential assistance projects already prepared and now being followed up on by ESCAP and UNIDO, Afghanistan would welcome assistance in establishing facilities for refining and iodization of salt and for the exploitation of solar energy. He specifically mentioned Thailand as potential source of expertise for the salt project.

28. In the UNIDO statement Mr. Basak, in referring to the Round Table Meeting in Kabul, expressed the hope that several proposals in the field of agriculture-industry linkage industries would be presented at the meeting.

c. Workshop on Small- and Medium-Scale Industries in China

29. It was felt that the workshop had been particularly useful in providing a view of the pattern of development adopted in China relevant to harmonized and mutually supportive growth of agriculture and industry, balance between urban and rural areas, interdependent growth of small and large-scale manufacturing, and the orientation of the production system to address itself to the need of the people.

d. Regional Industries and Investment

30. The Meeting considered the reports of the Intergovernmental Consultative Group Meeting among National Planning Bureaux with Participation of Development Banks on the Establishment of Regional Industries held in Bangkok in November 1978 (IHT/MI/AG./1) and of the Intergovernmental Expert Group Meeting on Investment held in Tokyo in December 1978 (IHT/MI/AG./11).

31. Several countries expressed support for the two-stage approach recommended by the first-mentioned meeting for the further promotion of regional industries, whereby some promising possibilities of regional projects would first be identified through desk studies, organized by ESCAP, and would thereafter be taken up for pre-investment studies with the assistance of development financing institutions in the region under the aegis of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP). Thailand, India, Indonesia and Bangladesh indicated that they might be able to provide expertise for the desk studies work. The representative of UNCTAD, Mr. Oliver Knowles, Interregional Adviser, indicated possible UNCTAD assistance on the field of trade measures in connexion with the desk study work.

32. Among the recommendations of the Meeting on Investment it was felt that the proposal for the constitution of a panel of experts deserved urgent attention.

e. Third General Conference of UNIDO

33. In the UNIDO general statement stress was made on the importance of receiving the best possible inputs from each region for the preparations of UNIDO III, and the suggestion reiterated that the Honorable Ministers may wish consider holding a meeting themselves by September 1979 to formulate positions on the major questions to be considered at the Conference and to project them appropriately. It was also noted that other regions were planning such ministerial level preparatory meetings this year.

34. While there was full agreement among the countries represented, for the holding of a regional meeting later this year for the purpose of UNIDO III preparations, attention was focussed on the level of the meeting in the deliberations under the item. When the draft report was considered a lively discussion took place on this matter.

35. The representative of Japan, supported by Australia, expressed the opinion that the regional preparatory meeting should not be at ministerial level but at senior officials level. The representatives of Bangladesh, (Mr. Mati Ul Islam, Secretary, Ministry of Industries), Sri Lanka (Mr. D. Fernando, Deputy Minister of Industries), Fuvalu (Hon. Tomu Sione, Minister of Commerce and Natural Resources), Papua New Guinea (H.E. Mr. Pita Lus, Minister of Commerce and Industry) and India (H.E. Ms. A. Maity, Minister of State for Industry and Mr. G.V. Ramakrishna, Additional Secretary, Ministry of Industry, in different interventions) argued forcefully that the regional meeting should be at ministerial level in order to formulate and agree on regional positions. H.E. Mr. V. Paterno, Minister of Industry, the Philippines, tried as Rapporteur (as the matter was discussed in connexion with the consideration of the draft report) to formulate compromise solutions, such as 'at highest possible level' or 'preferably at ministerial level'. The impasse was broken after a short recess during which the heads of the delegations met informally and consensus was reached on recommending a ministerial level preparatory meeting.

36. The representative of Bangladesh expressed the opinion that the ESCAP region ministerial preparatory meeting should be held as the last one of the planned preparatory meetings in the various regions.

37. It was suggested by Australia, that the preparatory meeting should concentrate on the four elements of industrial strategies and policies which were subject of consideration by the Ad Hoc Group of Ministers and focus on development strategy in this context for the coming decade. The representative of USSR expressed the opinion that the areas of strategies and policies discussed by the Ad Hoc Group of Ministers should be further crystallized and looked at in a comprehensive and long-term manner. Particular attention should be given to the development of linkages on the one hand between small and large industry and on the other hand between industry and agriculture. The representative of the USSR, furthermore, stressed that in formulating the regional inputs for UNIDO III, care should be taken to take into account the experience of countries with different socio-economic systems.

III. CONCLUSIONS OF THE MEETING AND RECOMMENDATIONS
FOR FOLLOW-UP ACTION

a. Preparations for UNIDO III

38. Regarding the preparations for UNIDO III the Meeting adopted, i.a., the following text in its report:

"The Meeting was of the view that to formulate and finalize the regional position for UNIDO III, there was need for a regional preparatory meeting at ministerial level. It should be held in the last quarter of 1979^{1/}, preferably after the preparatory meetings in the other regions and early enough for its inputs being reflected in the documentation for UNIDO III".

39. In discussions subsequent to the Meeting, Mr. Abid Hussain indicated that, in spite of the timing, it was expected to be possible to have the report of the Ad Hoc Group of Ministers Meeting formally presented at the 35th Commission session of ESCAP in Manila 5 -16 March 1979. The Commission would be expected to take the final decision regarding the holding of the preparatory meeting. In this connexion, it was brought to his notice that, in the already issued annotated provisional agenda for the 35th Commission session (E/ESCAP/L.25 of 26 December 1978), no reference had been made to the proposed holding of a regional preparatory meeting for UNIDO III (which had been recommended by the 3rd session of the Committee on Industry, Housing and Technology in September 1978, having been requested by the 34th session of the Commission to look into the matter). Mr. Abid Hussain was to follow up on the matter in

^{1/}As to the possible date of the meeting, it should be noted that the ESCAP Secretariat in a document (OES/ACPR/219) issued on 29 January 1979 for a meeting of the Advisory Committee of Permanent Representatives to ESCAP, has tentatively scheduled the UNIDO III preparatory meeting for the dates 4-10 September 1979 in Bangkok; to be followed 11-17 September by the fourth session of the ESCAP Committee on Industry, Housing and Technology.

order to make sure that the country delegations to the 35th Commission session were properly and in time alerted as to the recommendation for the holding of a regional preparatory meeting for UNIDO III which, according to the recommendation of the Ad Hoc Group of Ministers of Industry, should be at the ministerial level.

40. In view of the mixed response among the ESCAP countries on the matter of the preparatory meeting, in particular its level, it is recommended that the UNIDO delegation at the 35th Commission session of ESCAP include a senior official from Vienna in addition to the SIDFAs in Manila and Bangkok.

41. The Meeting expressed the view that the reorientation of industrial policies and strategies constituted the core of the regional preparations for UNIDO III and felt that the perspective emerging out of the studies and action taken would be an essential ingredient of the global perspective for industrialization to be formulated by UNIDO III.

42. The Meeting expressed appreciation of the assistance which had been provided by UNIDO for the studies work and "strongly urged that such support be continued in the future as an essential element for the preparations for UNIDO III".

43. In the UNIDO statement at the Meeting a plea was made to those Governments present from which the response had not yet been received on the questionnaire monitoring the implementation of the Lima Declaration and Plan of Action. The representatives of these countries were also approached individually and copies of the relevant correspondence to the countries and the questionnaire were handed over to facilitate their follow up. Similarly the matter was taken up with Mr. Abid Hussain, to ensure response from the ESCAP Secretariat.

44. In subsequent discussions with Mr. Abid Hussain and his senior staff after the Meeting, tentative thoughts were given to the requirements for the preparatory meeting by way of further documents. It was suggested that two basic - although short - documents be prepared:

- the first would cover the reorientation of industrial strategies and policies in the four areas dealt with by the Ad Hoc Group of Ministers, and should in a concise way formulate and crystallize the findings and results of that work;

- the second would focus on international industrial cooperation enhancing the development of the ESCAP region developing countries. This document should be based on the joint study on international industrial cooperation being prepared for UNIDO III.

45. In the case of the first document Mr. Abid Hussain indicated the need for support through the engagement of a consultant during a period of 2-3 months in May-July 1979. UNIDO (short-term) staff resources would also be required to assist in the finalization of that document to ensure full integration with other UNIDO III preparatory studies and documentation.

46. In the case of the second document it was felt that it should be prepared at UNIDO (essentially by the joint study group) in consultation with the ESCAP/UNIDO Division of Industry, Housing and Technology.

47. In addition, an up-dated version of the document prepared by ICIS for the Ad Hoc Group of Ministers of Industry, entitled "Survey of Industrial Development in Developing Asia and the Pacific: Achievements and Prospects" (IHT/MI/AG/14) which was based on tentative findings of the Industrial Development Survey should also be presented to the ESCAP regional preparatory meeting.

48. Finally, a short document might be prepared by UNIDO on basis of the results, concerning the region, of the monitoring exercise on implementation of the Lima Declaration and Plan of Action.

49. Mr. Abid Hussain would follow-up soonest with more precise suggestions in respect of documentation and resource requirements for the preparatory meeting.

b. Reorientation of Industrial Policies and Strategies

50. The Meeting recommended that the country studies and the synthesized paper (IHT/MI/AG./5-10) be printed and disseminated to the member countries so that maximum use might be made of the valuable information and analyses contained in them. It was felt that the momentum for the studies must not be lost. Future studies should, however, also aim at evolving action programmes. It was felt that the responsibility for further studies should be largely borne by the member countries, with assistance and support from ESCAP.

51. Concerning the linkages between industry and agriculture, the Meeting recommended following measures:

- (a) "Governments should consider suitable arrangements, including panels consisting of representative of various interest groups, where appropriate, to examine the qualitative aspects of linkages and to make recommendations.
- (b) "Countries, which are in the process of setting up new agro-industries may select at least one of those on a pilot basis and plan and implement it so as to ensure that the linkages are of durable and dynamic character".
- (c) "ESCAP should assist the national governments in establishing the proposed panels. Governments should keep ESCAP informed of the work of the proposed panels and other arrangements and this information will be collated by ESCAP and brought before the Ad Hoc Group of Ministers as well as disseminated to the member countries for their information."
- (d) "The momentum for the studies initiated by ESCAP must not be lost. The future studies to be made by ESCAP may, however, relate to specific agro-industries of wide concern to the member countries (such as sugar and coconut) and/or to specific aspects of agro-industrial linkages. Two specific subjects for study suggested at the Meeting were: (i) terms of trade between agriculture and industry in a few selected agro-industries already studied including the whole gamut of institutional relations and the resulting balance of bargaining power; (ii) the role of agro-industry boards, particularly in relation to institutional and market structures. In the latter study one of the important concerns would be to devise a pattern for the setting up of agro-industry boards and, where such boards already exist to examine whether their functioning is calculated to avoid the trap of institutionalizing the past problems."

52. Concerning small-scale industries and their linkages with large and basic industries the Meeting recommended that consultative bodies, including panels, consisting of representatives of the two sectors should be constituted at the national level to consider all aspects of the matter and make recommendations to the policy makers.

53. In respect of further work in the field of industrialization in non-metropolitan areas (INA) the following course of action to launch a second phase was suggested by the Meeting:

- (a) "The proposals for pilot projects be examined by the countries concerned. They may initiate steps to implement those parts of the recommendations, which would require only internal resources. At the same time, specific requirements of external inputs, of funds as well as expertise, may be estimated and project ideas defined.
- (b) "An ESCAP mission be sent as required to potential donor countries and the international funding institutions to
 - (i) explain to them the content of the project proposals;
 - (ii) indicate the nature and quantum of external inputs required; and
 - (iii) persuade them to provide their support. On the basis of the interest so generated by the mission, follow-up action may be planned on a systematic basis".

54. The Meeting also suggested that the possibilities be examined of an increased role of public sector enterprises in developing backward regions supported by comprehensive regional planning.

55. The Meeting recognized the key role of investment (domestic as well as foreign) and of technology in pursuing the four directions of reorientation of industrial policies. The Meeting expressed satisfaction with the establishment of the Regional Centre for Technology Transfer (RCTT) and wanted the Centre to play a leading role in elaborating the technology dimension of the new industrial policies being urged. The representative of Japan expressed the readiness of his government to cover the cost of holding a seminar on some appropriate aspect of transfer of technology and stated that the seminar could be held by RCTT in cooperation with UNCTAD and UNIDO. The ESCAP Secretariat was to follow up with Japan on the matter.

56. It is proposed that follow-up action on the part of UNIDO in the four areas of industrial policies reorientation include:

- Continuous participation as appropriate in the relevant activities of the ESCAP/UNIDO Joint Industry Division by our outposted staff members, Regional Adviser and Associate Experts. This is foreseen in the work programme (current as well as for 1980/81) of the Joint Division;
- Active involvement in the proposed mission to potential donor countries and the international funding institutions for the phase II of the INA-project;
- Identification of possible pilot industry projects, in the context of INA and of agro-industry linkages, which might be supported under UNIDF;
- Active involvement at the national level in support of the proposed panels on agro-industry linkages and small-scale/large-scale industry linkages, by the SIDFAs and UNIDO project personnel as appropriate;
- Collaboration, specifically between the Regional and Country Studies Section and the Sectoral Studies Section of ICIS and the ESCAP/UNIDO Joint Industry Division, in the carrying out of the proposed further studies in the field of agro-industries and agro-industrial linkages; and on the role of public sector industries in developing backward regions;
- Collaboration by the Technology Group with the ESCAP/UNIDO Joint Industry Division in respect of the proposed RCTT seminar.

c. ESCAP Club for Assistance to Least Developed Countries

57. The Meeting felt that the efforts of the ESCAP Secretariat should be directed towards ascertaining the priority needs of selected countries, fulfilling the role of a clearing house in this regard, and securing finalization of assistance arrangements even though the actual flow of assistance could be on a bilateral basis. Existing mechanisms in several of the region's

developing countries should be made full use of to channel assistance, after specific needs had been identified and projected through the forum of the 'Club'.

58. As noted earlier (para. 23) the Meeting was informed that the ESCAP work in relation to Afghanistan had been integrated with the UNIDO efforts involving the holding of the Round-Table Solidarity Meeting of the Ministers of Industries for Cooperation in the Industrial Development of Afghanistan in Kabul 14-17 May 1979.

59. Several countries expressed their support (see para. 25 above) for the efforts to assist Afghanistan, and Afghanistan itself indicated certain further priority areas in which assistance was sought (see para. 27 above). This will be followed up in Vienna by the Section of ECDC.

60. The ESCAP Club preparations for Papua New Guinea were not so far advanced but it was hoped that the identification and formulation of assistance proposals would be completed within this year.

61. In the discussions with Mr. Abid Hussain and his staff subsequent to the Meeting, it was stated that the Papua New Guinea Club meeting was expected to be held in January 1980 and that Nepal and Tuvalu might be the next countries to be subject of attention. In the case of Papua New Guinea, it was also noted that the only two countries which had formerly responded to ESCAP's enquiry regarding their interest in assisting, were the two developed countries France and New Zealand.

d. Regional Industries and Investment

62. The Meeting endorsed the two-step approach suggested by the Intergovernmental Consultative Group Meeting in the Establishment of Regional Industries whereby possibilities of regional projects would first be identified by desk studies organized by ESCAP and thereafter on selected basis be subject to pre-investment studies to be carried out by development finance institutions in the region (see para. 30 above). It might be noted that the Asian Development Bank had also expressed interest in contributing to the pre-investment work.

63. In the case of the desk studies work discussions are currently being held with Mr. Abid Hussain by the Regional and Country Studies Section concerning short-term staff assistance which would supplement assistance expected from Bangladesh, India, Indonesia and Thailand as well as UNCTAD. In discussions with the UNCTAD representative (Mr. Oliver Knowles, Inter-Regional Adviser) subsequent to the Meeting it was clarified that the UNCTAD input (through the provision of a short-term consultant) would be expected to focus on trade and tariff techniques which could be recommended in respect of the various identified industry project possibilities.

64. The Meeting urged that the recommendations of the Intergovernmental Expert Group Meeting on Investments be followed up (see para. 32 above). The main recommendations concerned the establishment of a panel of eminent persons to review various aspects of foreign investment (para. 31 of IHT/MI/AG./11).

65. As far as UNIDO follow-up, it is proposed that possible support of the recommendations made by the Expert Group, including that of establishing a panel to review aspects of foreign investment, be looked into by ICPO and ICIS.



ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC

Thirty-fifth session
5-16 March 1979
Manila

**PROGRESS, PROPOSALS AND ISSUES IN THE VARIOUS
FIELDS OF ACTIVITY OF ESCAP**

(Item 6 of the provisional agenda)

**REPORT OF THE MEETING OF THE AD HOC
GROUP OF MINISTERS OF INDUSTRY**

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I. ORGANIZATION OF THE SESSION

1. The Meeting of the Ad Hoc Group of Ministers of Industry was held at Bangkok from 30 to 31 January 1979.

Attendance

2. The Meeting was attended by representatives of the following members and associate members of ESCAP: Afghanistan, Australia, Bangladesh, China, France, India, Indonesia, Iran, Japan, Lao People's Democratic Republic, Malaysia, Netherlands, New Zealand, Papua New Guinea, Philippines, Republic of Korea, Sri Lanka, Thailand, Tuvalu, Union of Soviet Socialist Republics and United Kingdom of Great Britain and Northern Ireland.

3. The following United Nations bodies were represented: United Nations Conference on Trade and Development (UNCTAD), United Nations Environment Programme (UNEP), United Nations Industrial Development Organization (UNIDO) and United Nations Development Programme (UNDP). The following specialized agencies were represented: International Labour Organisation (ILO) and Food and Agriculture Organization of the United Nations (FAO).

Opening address

4. The Executive Secretary of ESCAP welcomed the participants and stated that the main purpose of the Meeting was to review developments relating to the main elements of reorientation of industrial policies that had been urged by the ESCAP Meeting of Ministers of Industry in November 1977. The surveys prepared by the ESCAP secretariat had revealed a set of second generation issues which required examination. He brought up briefly the issues which had been raised in the synthesized paper prepared by ESCAP secretariat.

5. It had been found that the tradition-bound agriculture to industry linkages in the ESCAP countries had not always been beneficial to all interest groups concerned, particularly the growers. It was only through proper institutional arrangements that healthy linkages could be fostered. Suggestions for institutional improvements had been made in the study, including one for the establishment of agro-industry boards.

6. Strengthening of industry to agriculture linkages involved exploiting the scope for stepping up the production of industrial inputs to modernize agriculture.

7. He emphasized that the important factor in promoting linkages in either direction was that of more equitable intersectoral terms of trade.

8. As regards basic needs, greater clarity was needed to conceptualize the role of industry, both as a provider of inputs and in the creation of incomes for the poor. Regarding the suggestion for expanding employment generating public works and the scope of public goods, the contribution of industry to such an approach needed to be concretized. More deliberate intervention had been suggested to influence the product and technology mix through various measures, particularly through regulation of prices.
9. The incentives so far provided for the promotion of small-scale industry had been inadequate in removing the comparative handicaps faced by small industries. Government support had been too fragmented and needed to be provided in a more integrated manner. Due consideration should be given to whether there should be a more deliberate intervention to influence the choice of technology and scale of production, such as through reservation of certain sectors for the small scale.
10. The question of vertical linkages between small-scale industries and large-scale and basic industries had to be considered not only as simple sub-contracting relationships but as viewing the large and basic industries as nurseries for small-scale industries.
11. With regard to spatial dispersal of industry within the countries, he referred to the success achieved by the ESCAP project on industrialization in non-metropolitan areas in stimulating discussion among member Governments about appropriate strategies. It was necessary for the Ad Hoc Group to consider steps for follow-up of the project ideas that had been formulated or were in the process of being finalized.
12. He thanked UNIDO for its financial support for the country studies and the experts who had carried out the studies or had assisted the secretariat in preparing the synthesized paper.
13. The ESCAP Meeting of Ministers of Industry in November 1977 had shown the direction; the expectation from the Ad Hoc Group was that it would work out practical steps to achieve the desired goals.

Election of officers

14. The Meeting elected H.E. Mr. Kasame Chatikavanij (Thailand) as Chairman, H.E. Ms. Abha Maity (India) as Vice-Chairman and H.E. Mr. Vincente Paterno (Philippines) as Rapporteur.

Adoption of the agenda

15. The Meeting adopted the following agenda:
1. Opening addresses
 2. Election of officers

3. Adoption of the agenda
4. Consideration of the ESCAP report based on surveys of selected countries
5. Consideration of other issues
6. Adoption of the report

16. The Meeting adopted a time-table which provided an opportunity for informal meetings among the Ministers. The Meeting expressed to the Royal Government of Thailand its fullest appreciation of the excellent facilities provided.

17. The Chairman, in his opening remarks, stressed that the Meeting had to proceed in the direction of evolving concrete approaches to deal with the issues that had been placed before it in the country studies and the synthesized paper prepared by the ESCAP secretariat. The present Meeting marked an important stage in the process of critical review of industrial policies and strategies, which had been set in motion by the ESCAP Meeting of Ministers of Industry in November 1977. He had had the privilege of being associated with the process right from the beginning and looked forward to concrete results emanating from the present Meeting. He set out the main points that the Meeting might wish to pursue in its discussions.

II. CONSIDERATION OF THE ESCAP REPORT BASED ON SURVEYS OF SELECTED COUNTRIES

18. The Meeting recalled the deliberations at the ESCAP Meeting of Ministers of Industry held in November 1977 (hereinafter referred to as the Meeting of Ministers) and emphasized the continued validity of the directions provided by it. Its recommendations were a significant contribution to the reorientation of industrial policies and strategies of the developing countries of the ESCAP region. The Meeting stressed that the perspective provided by that Meeting of Ministers should be fully reflected in the formulation of the regional strategy for the Third United Nations Development Decade as well as of the regional input for the Third General Conference of UNIDO to be held in 1980.

19. The Meeting endorsed the choice of the four elements of reorientation as representing the real thrust of the Meeting of Ministers. It was felt that those elements, which had been pursued by the ESCAP secretariat in its follow-up work, represented the most important concerns of the developing countries.

Those elements were:

- (a) Strengthening of linkages between industry and agriculture;
- (b) Orientation of industry to satisfy the basic needs of the poor;
- (c) Dispersal and location of industries away from metropolitan areas;
- (d) Development of small-scale industries and their linkages with large and modern industries.

20. The Meeting congratulated the ESCAP secretariat for the excellent country studies that had been undertaken in respect of the four elements of reorientation, and for the synthesized paper. The country studies had succeeded in providing a general view of progress, positive and negative experiences, the main problems faced and the areas of main concern in the future. The synthesized paper had also succeeded in focusing on issues of common concern to the member countries. The Meeting agreed that in bringing out the second generation issues in respect of the four elements of reorientation, the work undertaken by the ESCAP secretariat had been a distinct step forward from the Meeting of Ministers. The Meeting recommended that the country studies and the synthesized paper be printed and disseminated in the member countries so that maximum use might be made of the valuable information and analyses contained in them.

21. It was felt that the momentum for the studies must not be lost. However, in future studies there should be an attempt to achieve greater depth and they should be aimed at evolving action programmes. Such studies could assist in bringing updated analyses before the Ad Hoc Group of Ministers. It was felt that the responsibility for future studies should be largely borne by the member countries, with assistance and support from the ESCAP secretariat.

Linkages between industry and agriculture

22. The Meeting was of the view that among the four elements of reorientation, the one of greatest interest to the developing countries of ESCAP was that relating to linkages between agriculture and industry. It involved a fundamental change in the perspective of the policy makers which had in the past tended to look upon agriculture as serving the needs of industry. Perhaps it was more relevant to consider what industry could do to serve agriculture better and improve the lot of the rural masses. The contribution of industry, in terms of inputs of technology, financial support, management skills, efficiency etc, whether as a user of agricultural produce or as a supplier of farm requirements, needed to be fully exploited. The most

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important question related to the terms of trade for agricultural products. It was recognized that the terms of trade had been affected, among others, by the market structures, the institutional pressures exercised by the various interests involved, and the protection and incentives extended to industry through various government policies. The pattern of land holdings and the structure of industry were vital to the content and quality of linkages.

23. There was a qualitative difference in the linkages that prevailed in the traditional and the non-traditional agro-industries. In the former, the positions of the various interest groups had been entrenched and change, except for marginal adjustments, was more difficult. Nevertheless, attention in such traditional agro-industries has to be given to upgrading the quality and durability of the linkages by trying to arrive at more equitable balances. On the other hand, the non-traditional agro-industries provided much greater scope for the establishment of qualitatively superior linkages. Institutions of an innovative character could be promoted, possibility of linkages with export markets could be explored and utilization of modern technologies and more efficient market mechanisms could be encouraged in non-traditional agro-industries.

24. The Meeting felt that any deeper inquiry into the various questions relating to linkages between agriculture and industry had to be situation specific. The stage had now been reached when the entire question should become a matter for discussion and debate at the country level, so as to create a suitable national environment and a climate of informed opinion which would assist the policy makers in the respective countries. As steps in that direction, the following measures were recommended:

(a) Governments should consider suitable arrangements, including panels, where appropriate, consisting of representatives of various interested groups to examine thoroughly the qualitative aspects of linkages and to make recommendations.

(b) Countries, which were in the process of setting up new agro-industries might select at least one of those on a pilot basis and plan and implement it so as to ensure that the linkages were of a durable and dynamic character. The Meeting was convinced that the creation of healthy linkages in one agro-industry would create a demonstration effect in the others.

25. At the regional level, action could be taken along the following lines:

(a) ESCAP should, when requested to do so, assist the national Governments in establishing the proposed panels. The Governments should keep ESCAP informed of the work of these panels and other arrangements and that information should be collated by ESCAP and brought before the Ad Hoc Group of Ministers as well as disseminated to the member countries for their information.

(b) The momentum for the studies initiated by ESCAP must not be lost. The future studies to be made by ESCAP could, however, relate to specific agro-industries of wide concern to the member countries (such as sugar and coconut) and/or to specific aspects of agro-industrial linkages. Two specific subjects for study suggested in respect of a few selected agro-industries at the Meeting were: (i) terms of trade between agriculture and industry, including the whole gamut of institutional relations and the resulting balance of bargaining power; and (ii) the role of agro-industry boards, particularly in relation to institutional and market structures. In the latter study one of the important concerns would be to devise a pattern for the setting up of agro-industry boards, and where such boards already existed, to examine whether their functioning was calculated to avoid the trap of institutionalizing past problems. The results of such specialized in-depth studies should be made available to the member countries and placed before the Ad Hoc Group of Ministers.

Small-scale industries and their linkages with large and basic industries

26. The Meeting recognized that in spite of the strong commitment of the member Governments to the promotion of small-scale industries and the incentives and protection that had been provided to the small-scale sector, in continued to suffer from a comparative handicap vis-a-vis the large-scale sector. Several participants mentioned the steps being taken by their Governments to remove that handicap. In particular, there was mention of the innovative administrative mechanisms of district industries centres in India and of the reservation of certain industrial products in the small-scale sector. The representative of UNIDO suggested that greater use could be made of its technical personnel stationed in the countries.

27. The Meeting agreed with the observation of the Executive Secretary that the question of linkage between large and basic industries and small-scale industries had not really been approached in the spirit in which it had been posed by the Meeting of Ministers. There were some interesting instances of interdependent growth of the manufacturing sector, such as the automotive production programme in the Philippines and the ancillary industries promoted by certain public sector units in India. However, the feeling was that much more
needed

needed to be done to motivate the large and basic industries to play a generative and assisting role for the small-scale units. It was recommended that consultative bodies including panels consisting of representatives of the two sectors should be constituted at the national level to consider all aspects of the matter and make recommendations to the policy makers. The results of the deliberations of the panels should be collated by the ESCAP secretariat and placed before the Ad Hoc Group of Ministers.

Dispersal of industry

28. The Meeting highly appreciated the progress that had been made by the ESCAP project on industrialization in non-metropolitan areas, for which the Governments of Japan and India had provided useful financial and other support. The member Governments had benefitted greatly from the discussions held at the Intergovernmental Meeting on Integrated Industrialization in Non-metropolitan Areas held in Tokyo in March 1978. The member Governments were now looking forward to effective follow-up of country surveys which constituted the first phase of the project. The following course of action to launch the second phase was suggested:

(a) The proposals for pilot projects should be examined by the countries concerned. They might initiate steps to implement those recommendations which would require only internal resources. At the same time, specific requirements of external inputs, of funds as well as expertise, might be estimated and project ideas defined.

(b) ESCAP would scout for interested donors of technical and financial assistance and, as required, such a mission to potential donor countries and the international funding institutions to: (i) explain to them the content of the project proposals; (ii) indicate the nature and quantum of external inputs required; and (iii) persuade them to provide their support. On the basis of the interest so generated by the mission, follow-up action might be planned on a systematic basis.

29. It was noted that the external inputs for the implementation of the pilot projects could be sought from donor countries on a bilateral basis as well as through multilateral international forums. The Meeting appreciated the indication by the representative of UNIDO of the possibility of assistance from the United Nations Industrial Development Fund in respect of one or two pilot projects. The Meeting requested the secretariat to explore the possibility of financial assistance to cover the cost of the proposed ESCAP mission from Japan and other donor countries.

30. The Meeting took note of some innovative subsystems of administrative support being created in some of the countries to facilitate growth of industries in different regions of the countries. In particular, it took note of the steps for administrative decentralization in Papua New Guinea, the creation of district industries centres in India and the appointment of district ministers in Sri Lanka. The representative of India stated if the ministers expressed interest in visiting that country to have a first-hand idea of the functioning of the district industries centres, her Government would be happy to organize their visit and provide host facilities. The Meeting also suggested examining possibilities of increased role of public sector enterprises in developing backward regions supported by comprehensive regional planning.

Industry and basic needs of the poor

31. The Meeting agreed that the role of industry in satisfying the basic needs of the poor needed to be conceptualized clearly. Existing socio-economic systems, tax structure and policy, government expenditures policy, existing national income levels and income distribution structures, agricultural productivity, land tenure systems, efficiency of goods distribution and other factors, all influenced the effectiveness and extent of industry's role in that regard.

32. It was also recognized that formulation of policy and strategy for industry to fulfil its role could only proceed after identification of those manufactured products that satisfied the basic needs and daily necessities of the poor. Restricting the selection to subsistence needs overlooked the need for improving the standard and quality of life of the rural poor. It also could result in too limited a role for industry. On the other hand, too wide a list of the products generally demanded for day-to-day consumption might dilute the focus of the basic needs strategy, particularly in the lesser developed among the developing countries. It was recognized that a choice by individual Governments from the hierarchy of needs involved value judgements which could be made only in a specific national context.

33. The most fundamental approach would have to focus on the creation of incomes for the poor through employment. The Meeting heard an account of the measures being taken in the various countries to promote employment through rural works, promotion of cottage and household industries etc.,

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but felt that the scale of the measures had to be considerably enlarged. Some participants expressed the view that a lasting satisfaction of the basic needs of the poor could be expected only through fundamental socio-economic changes, encompassing the elimination of inequalities in distribution of all income earning assets, including land.

34. The Meeting felt that even with the given income distribution and the structure of demand, certain reorientation of industry to satisfy the basic needs of the poor could be attempted. Consideration might be given to expanding the scope of public goods beyond the conventional limits. Deliberate steps could also be taken to reorient the product mix and distribution systems of certain consumer goods industries, depending on the identification and quantification of the specific industrial products needed by the poor. In that regard, the important role of the Government and possibly also of the public sector was emphasized.

35. The Meeting recognized the key role of investment (domestic as well as foreign) and technology in pursuing the four directions of reorientation of industrial policies, particularly in improving linkages between industry and agriculture, and between large-scale and small-scale industries. It expressed satisfaction at the establishment of the Regional Centre for Technology Transfer at Bangalore, India. The Meeting wanted the Centre to play a leading role in elaborating the technology dimension of the new industrial policies being urged. The representative of Japan stated that his Government would consider the possibility of co-operating with ESCAP in holding a seminar on some appropriate aspect of transfer of technology. The seminar could be held by the Centre in co-operation with UNCTAD and UNIDO. The representative of Japan agreed to interact further with the ESCAP secretariat to work out details of such a seminar.

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III. OTHER ISSUES

ESCAP Club for assistance to least developed countries

36. The Meeting reiterated the relevance of the Club as an effective mechanism to bring about co-operation among the developing countries, particularly for the benefit of the least developed countries. There was considerable scope for matching the needs of the least developed countries with the possibility of assistance that the other developing countries were in a position to provide. The experience of the working of that mechanism so far had shown that it had been useful in ascertaining the priority needs of the two selected countries. The Meeting complimented the ESCAP secretariat for developing that mechanism and assuming the role of a clearing house in that regard. It was urged that the coverage of the work be extended.

37. It was emphasized that in addition to the formal mechanism provided by the Club, informal contacts among the member countries should be encouraged so that immediate assistance of one another may be sought and obtained in an informal manner without loss of time.

38. The Meeting took note of the encouraging response that had been received from several member countries in regard to the needs of Afghanistan. The Meeting was informed that the further work in relation to the needs of Afghanistan had since been harmonized with the global effort initiated by UNIDO to hold a round-table meeting of Ministers from selected developing countries in May 1979 in Kabul. The list of needs earlier projected under the aegis of the Club would be incorporated in the portfolio of projects for assistance which would be considered by that meeting.

39. The representative of Afghanistan expressed the gratitude of his Government to the countries which had responded positively to its requests for assistance and expressed the hope that concrete decisions would emerge at the meeting in May 1979. He mentioned that, in addition to the earlier list of needs, Afghanistan would welcome assistance in establishing facilities for refining and iodization of salt and for the exploitation of solar energy.

40. The list of needs of Papua New Guinea has been circulated to the member countries in October 1978. The Meeting appreciated that some more time would have to be allowed to the Governments to consider the proposals for assistance and formulate their responses. The Meeting took note of the positive response which had already been received from two countries.

41. It was mentioned by several participants that their countries had mechanisms to provide bilateral assistance to the least developed countries. They could utilize those mechanisms to channel assistance, after the specific needs had been identified and projected through the forum of the Club. At the same time, it was noted that such mechanisms did not exist in many cases. It was felt, therefore, that the role of the ESCAP secretariat would have to extend far beyond the clearing house stage in such cases. The efforts of the secretariat should be to secure finalization of assistance arrangements even though the actual flow of assistance could be on a bilateral basis.

Workshop on small- and medium-scale industries in China

42. The Meeting felt that the workshop had provided a valuable opportunity to participants from the developing countries to study at first hand the experience of China in the development of small- and medium-scale industries. The Meeting placed on record its appreciation of the excellent arrangements provided by the Government of the People's Republic of China. The workshop had been particularly useful in providing a view of the pattern of development adopted in China which placed emphasis on the four areas of concern to the Ad Hoc Group of Ministers. The report of the workshop contained useful points relevant to harmonized growth of agriculture and industry, balance between urban and rural areas, interdependent growth of the manufacturing sector and the orientation of the production system to address itself to the needs of the people. It was noted that the experiences of China had to be viewed in the context of its social framework. However, there were numerous aspects on which the Chinese experiences were of relevance to the other developing countries.

Regional industries

43. The Meeting considered the recommendations of the Intergovernmental Consultative Group Meeting among National Planning Bureaux with Participation of Development Banks on the Establishment of Regional Industries which had been held in Bangkok in November 1978. It endorsed the two-step approach urged at that meeting whereby some promising possibilities of regional projects would first be identified through desk studies to be organized by the ESCAP secretariat and would thereafter be taken up for pre-investment studies with the assistance of the Association of Development

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Financing Institutions in Asia and the Pacific (ADFIAP). It was urged that that work be undertaken within the time-frame prescribed by that meeting.

44. The Meeting appreciated the possibility indicated by the representatives of Thailand, India, Indonesia and Bangladesh of their Governments providing assistance required by the ESCAP secretariat to carry out the desk studies and requested that further details in that regard to be finalized soon so that the prescribed time schedule would be adhered to.

45. The Meeting welcomed the assistance offered by ADFIAP. It agreed that the cost of pre-investment studies should first be borne by the development banks constituent of ADFIAP, to be later debited to the project costs, when the projects were finally implemented. The Meeting also took note of the possibility indicated by the Asian Development Bank of its providing assistance to countries to cover the cost of the pre-investment studies.

46. The Meeting also noted the offer of UNCTAD to provide assistance in that work and to make available to the ESCAP secretariat the results of its ongoing studies to explore the prospects for regional industrial projects.

Third General Conference of UNIDO

47. The Meeting expressed the view that the reorientation of industrial policies and strategies and the continuing studies and action that it had recommended constituted the core of the regional preparations for the Third General Conference of UNIDO. It was of the view that while each developing country should continue to pursue large-scale industries appropriate to its situation and stage of development, the expanded perspective emerging out of those activities would be an essential ingredient of the global perspective for industrialization to be formulated by UNIDO at its Third General Conference. That being the nature of the regional activities, the Meeting appreciated the financial assistance provided by UNIDO and strongly urged that such support be continued in the future as an essential element for the preparations for the Conference.

48. The Meeting was of the view that to formulate and formalise the regional position for the Conference, there was need for a regional

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preparatory meeting at the ministerial level. It should be held in the last quarter 1979, preferably after the preparatory meetings in the other regions and early enough for its inputs to be reflected in the documentation for the Conference.

49. It was emphasized that in formulating the regional inputs, due consideration should be given to the experiences of countries with different socio-economic systems.

Investment

50. The Meeting emphasized the role of investment, domestic and foreign, in providing thrust for achieving the policy's goal envisaged by the Meeting of the Ministers. In some developing countries the role of foreign investment was significant in the context of the accompanying transfer of technology and access to foreign markets. The Meeting appreciated the recent activities of the ESCAP secretariat in stimulating discussion on matters relating to investment and tax administration. It recorded its appreciation to the Governments of Japan and Australia for hosting meetings on the subject at Tokyo and Sydney.

51. The Meeting urged that the recommendations of the meeting held at Tokyo be followed up. In particular, the proposal for the constitution of a panel of experts deserved urgent consideration.

IV. ADOPTION OF THE REPORT

52. The Meeting adopted its report on 31 January 1970.

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ANNEX II

FOR PARTICIPANTS ONLY

31 January 1979

ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC

Meeting of the Ad Hoc Group of Ministers of Industry

30-31 January 1979
Bangkok

LIST OF PARTICIPANTS

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Mr. J.K. R. England, Assistant Regional
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United Nations Environment
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Mr. R.M. Lesaca, Deputy Regional
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Food and Agriculture Organization
of the United Nations (FAO)

Mr. Frank Westerduin, Regional Officer,
FAO Regional Office for Asia and Far East,
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Mr. R.M. Notosuwerso	Economic Affairs Officer
Mr. A.S. Dotsenko	Economic Affairs Officer
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Mr. M.T. Haq	Regional Adviser on Industrial Economics
Mr. V.K. Kapoor	Regional Adviser on Policy Re-orientation
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Mr. J. de Gerlache de Gemery	Associate Expert
Mr. E.C. Kengen	Associate Expert

Mr. G.V.S. de Silva	Consultant
Mr. S. Kaiser	Consultant
Mr. J.L. van Eindhoven	Consultant
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Mr. G. Germanos

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ANNEX III

29 January 1979

Meeting of the Ad Hoc Group of Ministers
of Industry, 30-31 January 1979, Bangkok

LIST OF DOCUMENTS ISSUED

<u>Agenda item</u>	<u>Symbol No.</u>	<u>Title</u>	<u>Source</u>
3	INT/MI/AG./L.1	Provisional agenda	Secretariat
	INT/MI/AG./L.2 and Add.1	Annotated provisional agenda	Secretariat
4	INT/MI/AG./5	Reorientation of industrial policies	Secretariat
	INT/MI/AG./6	Development of agro- industries, small-scale industries, industries satisfying basic needs of the poor and dispersal of industries: Government policies and measures in Thailand	Thailand
	INT/MI/AG./7	A study paper of the industrial policies and programmes of Papua New Guinea	Papua New Guinea
	INT/MI/AG./8	Study on the reorientation of Philippine industrial policies	Philippines
	INT/MI/AG./9	Country report on the leading issues of industrialization	Bangladesh
	INT/MI/AG./10	District industries centres - A new framework for rural industrialisation	India
	INT/MI/AG./13	Planning and establish- ment of joint industrial ventures in the Republic of Korea	Rep. of Korea

<u>Agenda item</u>	<u>Symbol No.</u>	<u>Title</u>	<u>Source</u>
	IHT/MI/AG./14	Survey of industrial development in developing Asia and the Pacific: Achievements and prospects	UNIDO
5(a)	IHT/MI/AG./3	ESCAP club for co-operation among developing countries in the field of industry	Secretariat
5(b)	IHT/MI/AG./2	Report of the workshop on small-and medium-scale industries at selected sites in the People's Republic of China	Secretariat
5(c)	IHT/MI/AG./1	Report of the intergovernmental consultative group meeting among national planning bureaux with participation of development banks on the establishment of regional industries	Secretariat
5(d)	IHT/MI/AG./4	Third general conference of UNIDO: preparations in the ESCAP region	UNIDO
5(e)	IHT/MI/AG./11	Report of the intergovernmental expert group meeting on investment	Secretariat

ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC

Meeting of the Ad Hoc Group of Ministers of Industry

Statement made by Mr. Aroon K. Basak

on behalf of UNIDO

Mr. Chairman, Honorable Ministers, Distinguished Delegates:

UNIDO has been greatly appreciative of the initiative taken by the Meeting of the Ministers of Industry in November 1977, in focussing on a package of national policies which would speed up the process of industrialization in the ESCAP region. As you are aware, we in UNIDO have not only been watching with close interest the progress you have been making, but have also collaborated towards this end. In particular, we are entirely in agreement with the four components of the policy package you have selected, because we feel that your choice emphasises not only the need to achieve overall growth, but also to see that the fruits of economic progress are spread out more evenly to all sectors of society. By doing so, you rightly place the individual and ~~the~~ his community in the centre of your considerations, so that in providing for further industrialisation we may never lose sight of the key questions: industry for what, and for whom? Following upon the setting of an aspirational quantitative target in Lima in 1975, we in UNIDO are presently planning to follow through at our Third General Conference to be held in New Delhi in January 1980, with evaluations and perspectives on new social and economic frontiers of industrialisation in the Third World.

An examination of possible steps to forge greater future links between industry and agriculture leads to several issues pointing at a fundamental interdependence, apart from the major premise that agriculture alone, can perhaps initially create an investible surplus for supporting industry. While agricultural innovations and improvement in developing countries may require the creation of new technologies as well as the transfer of known technology, for storage and marketing activities the main emphasis may be in the transfer of best existing practice. Problems resulting from fluctuations in the supply of raw materials, may be alleviated by closer organisational links between industry and agriculture. The development of such systems could help to solve interrelated problems of insufficient industrial support for agriculture, on the one hand and lack of agricultural raw materials for food processing industries on the other. The question of technologies for use in the agro-processing industries themselves is more complex since the techniques often involve large-scale complexes which integrate agricultural and industrial activities; thereby raising issues touching on employment, appropriate farm size and environmental questions.

Strategies designed to promote socio-economic development and basic needs clearly require complementary policies involving a balance between industrial and agricultural development, urban and rural development and labour-intensive and capital-intensive production. It follows that constraints imposed by national characteristics such as natural resource endowments, or the size of the domestic market will influence the nature of this complementarity and the priorities a country must assign to each policy field.

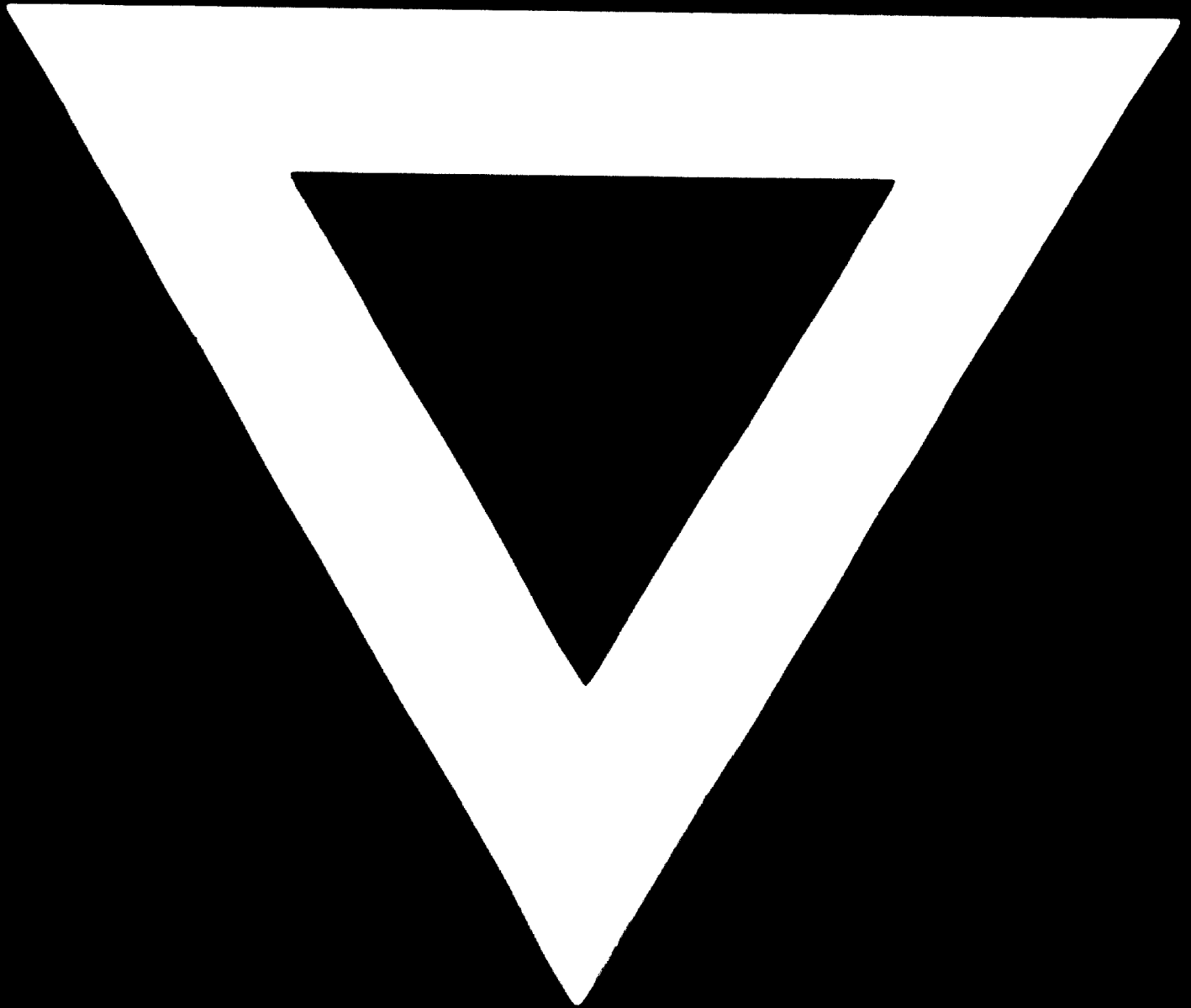
Honorable Ministers, your decision to translate your policy prescriptions into selected action programmes is an excellent one. With regard to your projects on small industries, I would humbly repeat that UNIDO has had considerable experience in this field, and it might be helpful to your projects if we associated our local experts and field officers with your own endeavours. In the broader field of agriculture-industry linkages, I might mention that UNIDO and ESCAP are jointly organising in May this year, a Round Table Ministerial Meeting for cooperation in the industrialisation of Afghanistan, thereby initiating the activities of the Afghanistan "Club". It is hoped that several project proposals relating to this area will be presented at this meeting. UNIDO might also be pleased to consider offering funding and other assistance to one or two of your specific projects for industrialising non-metropolitan areas, in order to contribute to a demonstration effect that might create great impact in this innovative field.

Finally, I would wish to say a few words on UNIDO's Third General Conference to be held in January 1980. As I have already said, we would wish to devise at UNIDO III, a vision and concept of industrialisation in the Third World over the next two decades. We are likely to come out with a strong thrust towards greater south-south cooperation, together with stronger resource flows from the North to the South, but in the framework of a new international economic order. We are therefore concerned with conceptualising not only the form and content of future industrialisation, but also new mechanisms of international cooperation calculated not to intensify the present

hopeless dependency of the South on the North. Towards helping us in our preparations, we would be most grateful to receive the best possible inputs from each region. UNIDO would therefore greatly appreciate might be rendered most effectively, if you would kindly consider holding a meeting yourselves by September 1979, to formulate positions on the major questions to be considered at UNIDO III, and to project them appropriately. Other regions are planning such ministerial level preparatory meetings for UNIDO III this year. We are therefore greatly heartened by the Honourable Minister's of Sri Lanka strong recommendation, that ESCAP and its member countries keep up the present momentum of preparation to give UNIDO III the benefit of your best thinking and experience. I may only assure you that the sentiments voiced by the Honourable Ministers of the Philippines, Sri Lanka and Afghanistan regarding poverty of the individual, will be of central concern in UNIDO III.

Before I end, Mr. Chairman, I would like briefly to refer to one of the basic studies which is being prepared for the Third General Conference of UNIDO, namely an analytical report on the progress achieved by Governments and international organizations towards implementing the Lima Declaration and Plan of Action. The preparation of this report is presently under way. It will primarily be based on inputs from Governments - in the form of replies to a questionnaire sent out last year. UNIDO would greatly appreciate urgent attention being given to this questionnaire by those Governments which have not yet responded; to those that have already done so, UNIDO wishes to express its thanks.

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