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UNITED NATIONS INDUSTRIAL
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Fifth Industrial Development Conference
for Arab States,

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Algiers, Algeria

THIRD GENERAL CONFERENCE OF UNIDO:*/

Note by the UNIDO Secretariat.

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I. INTRODUCTION

1. The Third General Conference of UNIDO is scheduled to be held between 21 January and 8 February 1980 in New Delhi. The General Assembly has requested the Industrial Development Board of UNIDO to act as an intergovernmental preparatory committee for the Conference. At its thirteenth session, April/May 1979, the Board, in reviewing the preparatory arrangements for the Third General Conference, noted with appreciation the preparatory actions taken at the regional level.^{1/}

2. In November 1977 the Second Meeting of the Arab Ministers of Industry, Tunis, indicated that the Arab countries, as part of the developing world should clearly define their position with a view to negotiating with the developed world for the creation of a New International Economic Order. The Third Meeting of the Ministerial Follow-up Committee which was held in Algiers, 27-28 November 1978 re-emphasized that the Fifth Conference should clearly define the position of the Arab countries in connection with the achievement of the New International Economic Order. The Third Meeting of the Arab Ministers of Industry met in May 1979 and adopted the provisional agenda for the Fifth Industrial Development Conference for Arab States. The provisional agenda included an item related to the formulation of an Arab position to be presented to the Third General Conference of UNIDO.

II. MAIN AREAS FOR THE THIRD GENERAL CONFERENCE OF UNIDO

3. The General Assembly approved in December 1978 the provisional agenda for the Third General Conference of UNIDO ^{2/}, the text of which is appended

^{1/}Regional conferences were held in Cali, Colombia, 10-14 September 1979 (Latin American Conference on Industrialization), in Addis Ababa, Ethiopia, 17-20 October 1979 (Fifth Conference of African Ministers of Industry) and in Bangkok, Thailand, 22-23 October 1979.

^{2/}General Assembly resolution 33/77.

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

- a) Review and appraisal of world industrial situation, with specific reference to the industrialization of the developing countries (item 4 of the provisional agenda)

4. In order to provide a broad basis for the review and appraisal of the world industrial situation and the industrialization of the developing countries a special issue of the Industrial Development Survey, entitled World Industry since 1960: Progress and Prospects^{1/}, has been prepared by the UNIDO Secretariat. The Survey contains a review of national objectives and industrial development strategies, and an examination of the economic structure of industrialization in recent years, together with a discussion of the implications of the Lima target. It presents an analysis of the relationship between industry and the primary sector, the allocation of resources within the industry sector, ways of improving the industrial manpower and technology base, the contribution of industry to the traditional sectors (small-scale producers, rural areas), the financial requirements of industrialization, and the public sector and industrial development.

5. The Third General Conference, in considering the progress achieved in implementing the Lima Declaration and Plan of Action, will have before it a report, entitled Implementation of the Lima Declaration and Plan of Action - The Country Situation and Contribution of International Organizations.^{2/} This report examines the contributions received within the monitoring exercise.^{3/}

1/ ID/CONF.4/2 (United Nations publications sales No. E.79.II.B.3).

2/ ID/CONF.4/4

3/ The exercise monitoring the progress of implementing the Lima Declaration and Plan of Action is carried out by UNIDO in pursuance of the Industrial Development Board resolution 45(IX) of 30 April 1975.

from 97 countries and 16 international organizations and reflects the views of these governments and organizations on their individual and collective actions taken since 1975 to achieve accelerated industrial development within the framework of the Lima Declaration and Plan of Action.

6. Findings of the monitoring and other exercises conducted by UNIDO reveal that considerable scope still exists for action on the part of governments in adopting appropriate policy and implementation measures as called for by the Lima Declaration and Plan of Action. Inadequate investment resources to undertake the required industrial activities appear to be a major constraint. This tends to inhibit the capacity of the developing countries to import capital goods needed for their industrialization. The problem is aggravated by the worsening of the terms-of-trade, attributable partly to the rising cost of oil imports, and by debt-servicing. Resource constraints are also hampering the development of infrastructure, particularly in the least developed, land-locked and island developing countries. Greater emphasis should be placed on increasing local processing of raw materials and the strengthening of linkages between industry and other sectors, in particular agriculture.

b) Strategy for further industrialization as an element of the development process of the 1980s and beyond (item 5 of the provisional agenda)

7. Attention at the Third General Conference under provisional agenda item 5 will be given (i) to the consideration of industrialization policies and strategies aimed at achieving the Lima target and (ii) to recommendations for policies, procedures and mechanisms to develop and strengthen endeavours contributing towards the realisation of that aim of accelerated industrialization in the Third World within a new industrial economic order (NIEO).

8. UNIDO has given a major thrust to its activities in the field of development and transfer of technology within the framework of the recommendations of the Lima Declaration and Plan of Action, General Assembly

resolution 3507 (XXX) as well as Industrial Development Board resolution 47(XI). UNIDO's activities in this field cover the following major elements:

Strengthening of the institutional infrastructure and technological capacities of developing countries; formulation of technology plans and policies; promotion and development of appropriate industrial technologies; improvement of the ability of developing countries to negotiate the acquisition of technologies; launching of the Industrial and Technological Information Bank (INTIB) and, through it, promoting the access of technology; provision of technology advisory services; organization of workshops and seminars for the training of technical personnel; follow-up of the Co-operative Programme of Action on Appropriate Industrial Technology, as recommended by the International Forum on Appropriate Industrial Technology, which was convened in India in 1978.

Many of these initiatives have been undertaken in co-operation with IDCAS. The establishment of a joint project for information and documentation with IDCAS is but one example of such co-operation.

9. The UNIDO secretariat has formulated a framework for national action for the building up and strengthening of technological capabilities of developing countries based on the three elements of policies, programmes and institutions.^{1/} Taking into account the Programme of Action adopted by the United Nations Conference on Science and Technology for Development, in August 1979, the UNIDO secretariat is preparing a detailed further note for presentation at the Third General Conference containing proposals for implementation in the field of industrial technology.

10. In the study of international industrial co-operation, entitled Industry 2000 - New Perspectives^{2/}, which has been prepared by the UNIDO secretariat for consideration of the member states in accordance with General Assembly resolution 3362(S-VII) and for discussion at the Third General Conference of UNIDO, policies and strategies are examined on the basis of the fundamental principle that the restructuring of the world economy must assume, and in fact coincide with the restructuring of world industry, and procedures and concrete mechanisms are presented for

^{1/} Strengthening of Technological Capabilities of Developing Countries - A Framework for National Action, paper presented at the United Nations Conference on Science and Technology for Development, Vienna, August 1979 (A/CCNF.81/BP/UNIDO).

^{2/} ID/CONF.4/3.

accelerating international resources flows within and to the South. The study, Industry 2000 - New Perspectives, is included in the documentation for the regional preparatory meeting. In the present paper brief introductory notations are given to the various specific proposals made in the study. A proper consideration of these proposals can, however, only be made on basis of the presentation given in Part I of Industry 2000 - New Perspectives, to which the appropriate references will be made below.

11. Progress towards the NIEO requires clearly defined and deliberate strategies at the international level. These strategies, it is suggested in Industry 2000 - New Perspectives, would be aimed at evolving a new framework of global relationships which would allow equitable forms of interaction to maximise welfare stemming from the use of the world's resources. One strategy would involve adjusting and improving the results flowing from global interdependence, another strategy would lead the South to pursue, pari passu, a policy of collective self-reliance, in order to improve co-operative utilization of the resources available within the South, while strengthening its position as a viable partner in the framework of global interdependence. The ultimate objective of equality in international economic relations can be achieved only if the South pursues deliberate policies to strengthen its economies through increasing collective self-reliance. The study recognises that the developing countries need to pursue both strategies in parallel. Eight major proposals for new initiatives in international co-operation, reflecting these complementary strategies, are presented in Part I of Industry 2000 - New Perspectives (see para 20 below).

12. The global interdependence strategy involves a dynamism of changes in global decision-making. A first requirement for instituting order in the process of change is a forum to give the industrialized and developing countries the possibility of looking to the future together. In the field of industry, the UNIDO System of Consultations provides such a forum. Within the broad objectives set out in the Lima Declaration and Plan of Action and in General Assembly resolution 3362(S-VII) relating to the

redistribution of world industrial production by increasing the share of developing countries, the System of Consultations was established with the aim of identifying concrete measures needed to be undertaken by developed and developing countries to expand existing and establish new industrial facilities in the developing countries. Arab countries have played an active role in the sectoral consultations hitherto held. Thus, regional meetings are being planned jointly with ECWA in preparation for the consultations on selected industries. It may also be noted that the Second Consultation Meeting on Iron and Steel Industry was held in New Delhi in January 1979.

13. The results and prospects of the System of Consultations will be reviewed at the Third General Conference. In expressing general support for the System, the Industrial Development Board at its thirteenth session, in May 1979, adopted the following conclusions:

"The System of Consultations offered member countries a valuable and unique framework for identifying problems associated with the industrialization of the developing countries, for considering ways and means to accelerate their industrialization, and for contributing to closer industrial co-operation among member countries, in accordance with the Lima Declaration and Plan of Action".

and

"The System of Consultations had become an important and established activity of UNIDO: it should be continued as an on-going activity of the organization and strengthened so as to provide the greatest possible benefit to the developing countries".^{1/}

Furthermore, the Board decided that draft rules of procedure for the System should be prepared for its consideration in November 1979.

14. Since 1976, the System of Consultations has been functioning on an experimental basis in terms of the work programme approved by the Industrial Development Board at its annual meeting. It is felt that the experimental phase has to be terminated and that the System should be put on a permanent basis for the following reasons. Firstly, resources could be better managed

^{1/} ID/B/332, paras 81-82.

so that the System could respond to developments and changing circumstances and function more efficiently. Secondly, activities on a long-term basis. Thirdly, placing the System on a permanent basis would be a definite recognition that UNIDO is the forum for consultation and negotiation on industrial co-operation redeployment opportunities and overall industrial adjustment policies as envisaged at Lima. Fourthly, Governments of member countries would be more inclined to take a more active part in the discussions at consultation meetings and in the conclusions arrived at in those meetings. Fifthly, private enterprise participants would be more willing to pay greater attention to adjustment measures, to the definition of which they are contributing, when it is clearly agreed that UNIDO would serve as the only forum for such consultations and negotiations in the same manner as UNCTAD is the forum for negotiations on commodity agreements. Finally, making the System permanent will preserve the present flexibility whilst providing continuity and stability and thus promoting and improving the terms of industrial collaboration arrangements.

15. The Fifth Industrial Development Conference for the Arab States is invited to consider the above mentioned advantages and recommend to the Third General Conference that the System be established on a permanent basis. The Ministers may also consider the institution of effective regional implementation measures to follow through on the recommendations of the Consultations, as well as the widening of its scope to cover all important industrial sectors.^{1/}

16. As mentioned above, eight major proposals for international action are presented in the study Industry 2000 - New Perspectives.^{2/} They are in the areas of international financial flows, industrial enterprise co-operation, technology and trade. They are fully described in Part I of the study to which the specific reference made below, refer:

^{1/} A short note giving further details concerning the System of Consultations as an instrument for industrial restructuring and development has been presented to the Conference.

^{2/} ID/CONF.4/3.

Proposal No. 1: International Industrial Finance Agency. This proposal (described in Section 2.2.2) seeks to promote South/South co-operation in financing industrialization by converting financial surpluses available in some developing countries into durable forms of long-term investment in the Third World.

Proposal No. 2: Global Fund for the Stimulation of Industry. The Global Fund proposed (described in Section 2.2.3) is envisaged to play a crucial role in advancing mutual benefits of the North and South. It would provide an economic stimulus to industry in the North while helping investment generally and in industry in the Third World by using untapped liquid resources; the capital thus raised would be obtained primarily on market conditions. In its essential respects the Global Fund falls squarely within an international consensus which has been evolving gradually during the present year (as elaborated in detail in Section 5.4.2 of Part II).

Proposal No. 3: Commission for International Industrial Development Law. The Commission proposed (described in Section 2.3.2) would aim at the development of an active, dynamic framework for international industrial law to provide for the requirements of Third World industrialization, in view of new types of emerging inter-enterprise relationships.

Proposal No. 4: System for the Resolution of Industrial Conflicts. A regionally decentralized system of conflict resolution is proposed (in Section 2.3.3) which would link national and regional arbitration centres to the global level for purposes of co-ordination and supervision.

Proposal No. 5: International Industrial Technology Institute. This proposal (described in Section 2.4.2) is made in the context of South/South co-operation. The Institute would fill the need for a focal point for developing country governments and enterprises involved in improving their industrial technologies. The Institute would also act as a link and draw on technological resources available at the national, regional and international levels and disseminate these resources throughout the Third World. Particular attention will be given to developing new appropriate technologies for the developing countries necessitated by the energy situation.

Proposal No. 6: International Centre for the Joint Acquisition of Technology. Also this proposal (described in Section 2.4.3) falls within the concept of collective self-reliance and aims at enabling developing countries to economise on the skills involved in collecting relevant information and in negotiating.

Proposal No. 7: International Patent Examination Centre. This Centre (described in Section 2.4.4) would serve to assist developing countries to gain access to and realise the economies of scale associated with the dissemination of technical and legal information on patents including the promotion of a cross flow of patent information between regional centres.

Proposal No. 8: Manufacturing Trade Target. This target would act as a counterpart to the Lima target in deliberations in international trade policy. It is described, together with supportive steps, in Section 2.5.2.

17. The above eight major proposals, as elaborated in Industry 2000 - New Perspectives, will be presented for consideration by the Third General Conference of UNIDO and the Conference will be requested to initiate steps with member countries, international and regional organs for the implementation of the respective proposals. The Fifth Conference may wish to have an exchange of views on them and give comments against the background of the needs and requirements of the developing countries, in general, and the Arab countries, in particular.

18. The study Industry 2000 - New Perspectives also presents recommendations for supporting programmes which lie within the existing mandates of international organizations, particularly UNIDO, and can be implemented rapidly. These recommendations include the extended use of UNIDO's System of Consultations described in Section 3.2.1 (See paras 16-19 above).

19. In support of increased international financial flows a (South/South) Industrial Finance Information and Negotiation Network is proposed (described in Section 3.3.1). Other measures recommended include the promotion of new forms of risk capital financial instruments (Section 3.3.2) and of barter or buy-back related long-term investment (Section 3.3.3). In the areas of international industrial enterprise co-operation the study recommends extended use of intergovernmental agreements - framework as well as project agreements (Section 3.4.1). It also points at the importance of mobilizing the potential of medium-sized enterprises and other non-TNCs through provision of a service of information and advice for partners in home and host countries, concentrating on financial options and technical, economic and legal elements of co-operation projects (Section 3.4.2). Recommendations are also made on relocation of industrial R and D (Section 3.5.1), on joint South/South efforts for marketing, exploration, processing and financing in the case of mineral-producing developing countries (Section 3.6.1) and on the establishment of an industrial project preparation facility, with a minimum annual funding of US\$ 10 million and with specific attention paid to the needs of the LDCs in this respect. A revolving element in the funding of the proposed facility would be built in (Section 3.7.1).

20. At the Third General Conference particular attention will be focussed on industrial co-operation among developing countries, including improved mechanisms to promote the flow of an integrated technical and financial

assistance to developing countries through, inter alia, regional co-operation and special measures for the least developed, land-locked and island developing countries. As a concrete example in this field should be mentioned the Solidarity Meeting of the Ministers of Industry in the Industrial Development of the Democratic Republic of Afghanistan held in Kabul in May 1979, organized by UNIDO in co-operation with ESCAP. Prior to the meeting a thorough exercise in identifying assistance needs of the country and in elaborating project proposals was undertaken. At the meeting the participating countries indicated the specific projects for which they were prepared to provide financial or technical assistance.

c) Institutional arrangements (item 6 of the provisional agenda)

21. In the context of the leading role of UNIDO in the co-ordination of the activities of the United Nations system in industry, the Third General Conference is expected to review the effectiveness of co-ordination and follow up on matters in the field of industrial development and co-operation covered by other organizations within the system. The close collaboration existing between UNIDO and ECWA, in particular through the ECWA/UNIDO joint industry division, is noted with great satisfaction.

22. The effectiveness of the institutional arrangements for UNIDO will be considered with reference to the long-range strategy for UNIDO to meet the challenge of industrialization in the 1980s and beyond. The Conference will be expected to urge all countries to sign and ratify the constitution of UNIDO as a specialized agency at an early date and provide to the organization sufficient resources to carry out its responsibilities.

23. A very important element in this context is the United Nations Industrial Development Fund (UNIDF), established in pursuance of the Lima Declaration and Plan of Action in order to increase UNIDO's ability to meet, promptly and flexibly, the needs of developing countries. The Conference will be expected to call on all countries to contribute to the UNIDF as appropriate to their capacities to do so, so that the annual level of resources for the Fund may be brought to the annual target of US\$50 million as quickly as possible.

24. The numerous projects undertaken either jointly with IDCAS in the Arab region or with individual Arab countries is an indication of the various activities financed through the UNIDF. UNIDO's share in total costs of on-going projects with IDCAS financed from UNIDF amounts to about one million US dollars and the pipeline projects to be financed from UNIDF may be in the neighborhood of US\$ 500,000.

Annexure

PROVISIONAL AGENDA FOR THE
THIRD GENERAL CONFERENCE OF UNIDO

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

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

6. Institutional arrangements:

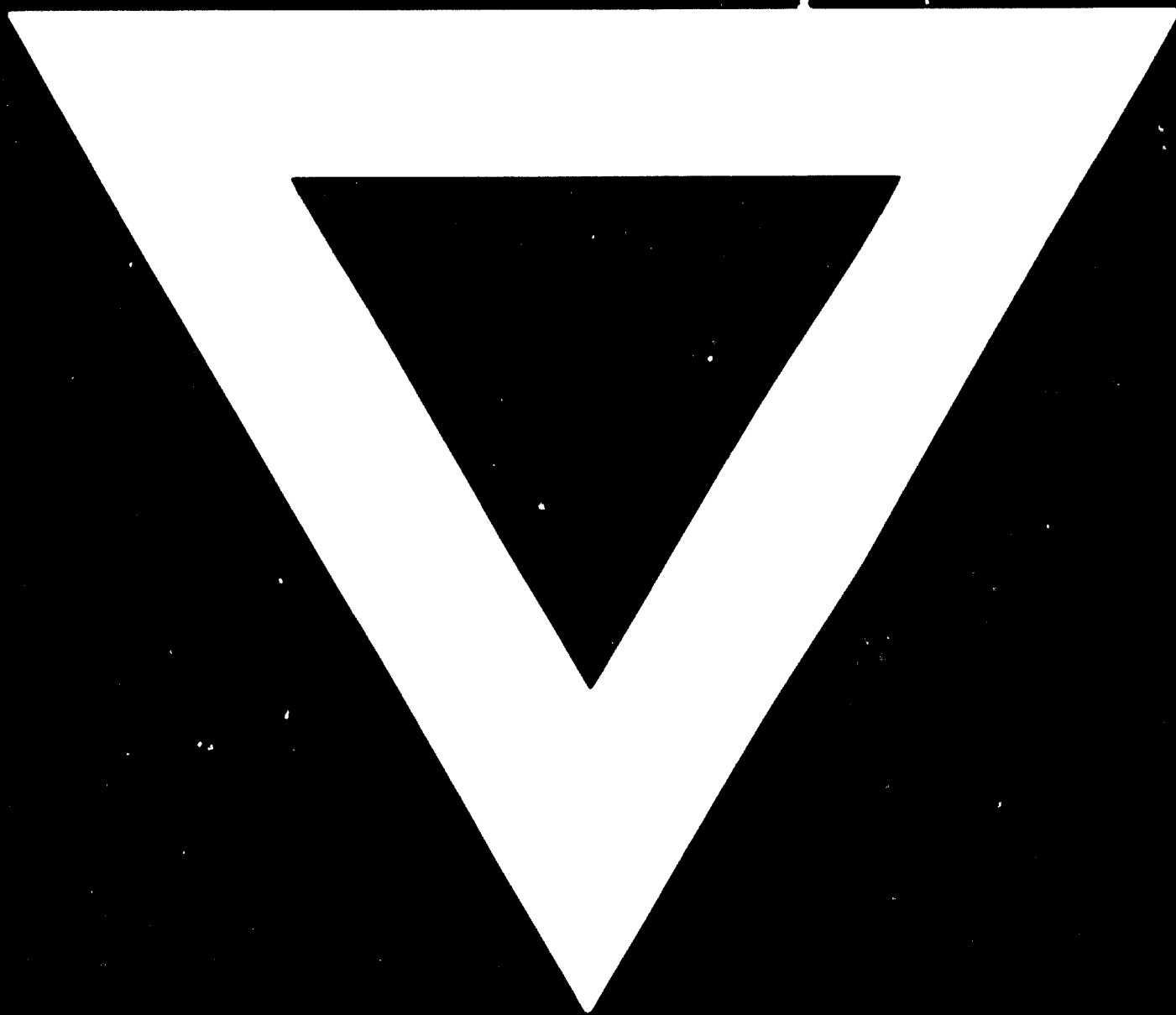
- (a) Review of the effectiveness of co-ordinating and follow-up on matters concerning industrial production, international industrial co-operation and related issues covered by other organisations within the United Nations system;
- (b) Review of the effectiveness of the institutional arrangements for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

7. Conclusions and recommendations.

8. Adoption of the report of the Conference.

9. Closure of the Conference.

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